

New Iran Death Shows Mullahs' Peril

Khomeini Charisma Protects Islamic Rule Against Fragmented Opposition

By John Kifner
New York Times Service
BEIRUT — The theocratic rule of Iran's mullahs is facing its most determined internal challenge in two and a half years of post-revolutionary chaos...

Again Saturday, a bomb was planted in a heavily guarded building — a chilling indication to the mullahs that some of their enemies have infiltrated the security apparatus...

build a successful economy; what the effect of the yearlong border war with Iraq will be; whether the Kurds and other autonomy-seeking ethnic groups seize the opportunity to dismember the country...

NEWS ANALYSIS

will keep the mullahs in power, at least for the moment. Iran, nevertheless, appears to be in for a period of deep turmoil which could get worse...

illiterate population. To these people Western ways were decadent, suspect, threatening. Perhaps the most virulent demonstration of this hostility was the campaign of the "makhtabi" against the "experts" which began last winter to purge Western-educated technocrats from the government...

Coptic Leader's Power Revoked As Arrests in Egypt Reach 1,500

By David Ottaway
Washington Post Service

CAIRO — Egyptian President Anwar Sadat has announced stiff measures to put an end to sectarian violence between Moslems and Christians, including a surprise decision to revoke the government's recognition of Shenouda III as patriarch of the Orthodox Coptic Church...



President Anwar Sadat addressing the Egyptian parliament.

Mr. Sadat has had a long-standing feud with the Coptic patriarch, and on Saturday night he indirectly implicated Patriarch Shenouda in an incident of sectarian violence in 1972. Extremist Groups. Although Mr. Sadat at several points criticized the conduct and leadership of the patriarch...

Baltic Games Appear to Be Soviet Tactic

100,000 Take Part in Military Exercise

From Agency Dispatches
MOSCOW — Western diplomats said Sunday that Moscow's reporting of Soviet military maneuvers around Poland tended to confirm earlier assumptions that the exercises were intended to put pressure on Poland...

Solidarity, at First Congress, Says Union to Expand Role in Reform



Lech Walesa during Mass held in the congress hall.

By John Damton
New York Times Service
GDANSK, Poland — Solidarity leaders said Sunday that the union must expand its role and come up with a concrete program to lead Poland out of its economic crisis...

Open Question

Film reports on television gave the impression that an enormous amount of weaponry had been assembled, but the newspapers appeared to deliberately leave open the question of what it would be used for, the diplomats said...

150 Prisoners in Polish Jail Escape; Others Stage Strike

WARSAW — About 150 prisoners broke out of a jail in the northern city of Bydgoszcz and another 150 staged an occupation strike following the shooting of a would-be escapee, state television said Sunday...

Reagan-Begin Talks To Stress Military Ties

By Bernard Gwertzman
New York Times Service

WASHINGTON — President Reagan intends to explore with Prime Minister Menachem Begin this week specific ways of strengthening U.S. strategic ties with Israel, such as a possible American military presence in Israel...



Israeli Prime Minister Menachem Begin with honor guard at the airport Sunday before he left Israel for the United States.

Logistics cooperation between the two countries, involving primarily increased use of Israeli facilities for repair and maintenance of U.S. naval and air forces in the Middle East. Increased sharing of intelligence information by the two countries, with the possibility that the United States would permit Israel to receive data about the Middle East from American satellites...

INSIDE

Schmidt's Woes

Back from vacation, Chancellor Helmut Schmidt is finding that his problems with the West German peace movement and with his own political party have deepened. An analysis, Page 3.

Maeght Dies at 75

Alme Maeght, the art dealer and publisher who helped spread interest in and knowledge of 20th century art, is dead at the age of 75. Page 5.

Hunger Striker

The family of another Northern Ireland hunger striker has called in doctors to save his life. It was the second such decision in three days. Page 2.

Haig Sees U.S. Making Progress With South Africa in Namibia Talks

By Bernard Gwertzman
New York Times Service

WASHINGTON — The Reagan administration has made considerable progress toward the independence of South-West Africa (Namibia) in behind-the-scenes discussions with South Africa, according to Secretary of State Alexander M. Haig Jr. Mr. Haig's optimism, it was learned, stemmed from South Africa's return to a position more in line with what it held in 1978, when negotiations for the independence of the territory began in earnest...

Ability to Influence

South Africa administered Namibia, a former German colony, under a League of Nations mandate of 1920 that was revoked in 1966 by the United Nations, which regards South Africa's continued control of the area as illegal. Last Monday, the United States vetoed a resolution in the UN Security Council condemning South Africa for its raid the previous week into Angola. Mr. Haig said the veto was needed so that the United States could maintain its ability to "influence South African attitudes."

Something on Horizon

As to the possibility of U.S. sales of advanced equipment to Taiwan, which has brought strong protests from China, Mr. Haig said there had been no decision. But he said, "There's something on the horizon with respect to Taiwan's defense needs."

From Sept. 11 to Sept. 14, Mr. Haig is scheduled to visit Yugoslavia and West Germany, and he said he differed with Richard V. Allen, the White House national security adviser, who has warned about the spread of "pacifism" in Western Europe. "I'm not one to believe that pacifism is running wild in Western Europe," said Mr. Haig, a former supreme allied commander in Europe. "I spent too much time in Europe."

Another Ulster Fester Taken Off List; Group Limits Strike Action

By William Borders
New York Times Service

LONDON — The Northern Ireland hunger strike was doubly threatened Sunday as a fourth prisoner was taken off the fast and one of the protesting organizations reduced the level of its participation in it.

The two developments, following the removal of a prisoner from the fast just two days ago, raised hope in some government circles that there might soon be a break in the hunger strike, which has claimed 10 lives in the past four months.

"God willing, it just might be beginning to run out of steam," said an official in Belfast who has been closely involved in the various efforts to bring an end to the protest, in which the prisoners are seeking political status, instead of being treated as common criminals.

S. Africa Jets Hit Convoy, Angola Says

By Jay Ross
Washington Post Service

LUANDA, Angola — South African jet fighters have attacked a convoy of vehicles taking foreign journalists to view war damage in southern Angola.

An Angolan soldier and a government information official were seriously injured and a British journalist received minor chest wounds in air raids around Cahama Saturday morning, the government's Jornal de Angola newspaper said Sunday.

The British reporter, Mike Woolbridge of the BBC, continued with the group while the two Angolans were taken to a hospital in Lubango, 125 miles (200 kilometers) to the north.

The journalists, from Britain, France, Brazil, the Soviet Union and Angola, were first attacked about 6 miles north of Cahama, where the injuries occurred, and then twice more in Cahama itself, the newspaper said. They were traveling in six vehicles and had a military escort.

[A South African Defense Force spokesman said Sunday that anyone associating with nationalists of the South-West African People's Organization risks being attacked. The Associated Press reported from Johannesburg. The spokesman, however, refused to confirm or deny that the South African Air Force had attacked the convoy carrying journalists.]

[The South African Defense Force spokesman, reached by telephone in Pretoria, said, "SWAPO's logistical system is integrated with that of FAPLA [the Angolan Army]. Elements of SWAPO's conventional brigade are known to be deployed at Cahama. The SADF will continue to destroy SWAPO wherever they may be and those who associate with SWAPO must be prepared to accept the consequences." AP reported.]

Much of Cahama, about 100 miles north of the South-West African (Namibian) border, has been destroyed in repeated South African air raids in the last two weeks since Pretoria's troops invaded southern Angola.

South Africa has said its forces attacked SWAPO guerrillas, who are fighting for the independence of South African-controlled Namibia.

W. German Postage to Rise

The Associated Press

BONN — West Germany will boost postal rates by as much as 33 percent next summer to compensate for a loss of about \$1.5 billion (3.57 billion Deutsche Marks) expected this year, the Federal Postal Ministry announced.

Haig Sees U.S. Progressing With S. Africa on Namibia

(Continued from Page 1)

much time there, and I've had too much current dialogue to believe that."

He blamed recent anti-American demonstrations in West Germany and elsewhere on the declining economic situation in Europe and "the strong anti-nuclear sentiment."

S. African Match In New Zealand Draws Protests

Reuters

AUCKLAND, New Zealand — Police and anti-apartheid protesters clashed during a game featuring South Africa's rugby team, and opponents of the New Zealand tour described the outburst as a dress rehearsal for the final test match next Saturday.

The match is to be played on the fourth anniversary of the death of South African black nationalist Steve Biko. Opponents of the Springboks' tour said this could result in protests even more intense than seen in the past few weeks.

Hundreds of persons have been arrested in violent demonstrations since the South Africans arrived in New Zealand. No figures were available for those detained during Saturday's game, the 12th of the tour.

The largest police force ever mobilized in New Zealand confronted 7,000 Auckland protesters, who wore helmets and carried body shields. They failed to get into the stadium despite repeated assaults on lines of riot police.

In Wellington, several persons were arrested when protesters blocked intersections to isolate the central police station. Demonstrators also marched to the home of Defense Minister David Thompson and chanted anti-tour slogans. Other protests took place in Christchurch and Dunedin.

Pakistan Reports Attack by Afghans

Reuters

ISLAMABAD, Pakistan — Two Afghan MIG-17 jets have attacked a frontier post 3 miles (5 kilometers) inside Pakistan, ending a three-month border lull, a Defense Ministry statement said.

The statement said two civilians were wounded Saturday when the Soviet-built jets strafed the Doon border post about 60 miles north of Quetta, capital of Pakistan's Baluchistan province, bordering Afghanistan.



Prince Norodom Sihanouk



Son San

Pol Pot Group Leaves Singapore Abruptly

By Henry Kamm
New York Times Service

SINGAPORE — The Pol Pot delegation headed by Premier Khieu Samphan has left for its encampment along the Thai-Cambodian border without naming its representative to the committee that is to prepare for a coalition government against the Vietnamese-sponsored regime in Phnom Penh.

Mr. Khieu Samphan and his associates slipped quietly out of their hotel Saturday morning and boarded a commercial flight to Bangkok. As the delegation departed, its partners in an agreement concluded Friday — Prince Norodom Sihanouk and one of his former premier, Son San — announced their representatives. Mr. Son San also declared his readiness to begin the committee's work immediately.

Mr. Khieu Samphan did not say goodbye to his co-signers, and his hasty departure raised fears in the other camps. Members of both groups said they were concerned that the Chinese-backed Khmer Rouge had achieved what it desired from the conference and was about to exploit it — without pursuing its announced intention of surrendering control of the faction that holds Cambodia's UN seat to a coalition government to be headed by Mr. Son San.

In the Sihanouk and Son San camps, there is a strong belief that the Pol Pot movement and its supporters in Peking pressed for the meeting and its declaration of intent for two purposes: to persuade members of the UN General Assembly next month that the Khmer Rouge has the support of the two most potent non-Communist sectors of Cambodian opinion; and to be able to gain popular support in

side Cambodia by presenting itself as a group of reformed Communists that has gained the approval of Prince Sihanouk, the former chief of state, and Mr. Son San.

In both non-Communist camps it is openly said that the Pol Pot delegation has emerged as the only winner. The prince and Mr. Son San are openly worried that the Vietnamese-controlled regime of President Heng Samrin will use the accord to brand them as puppets of the hated Mr. Pol Pot.

Prince Sihanouk and associates of Mr. Son San said privately that pressure from China — and, in the case of the Son San Liberation Front, from Thailand — forced them to lend their prestige to a performance that discomfited them deeply.

Prince Sihanouk and Mr. Son San used final press conferences and private conversations Saturday to reaffirm their repugnance for the Pol Pot group.

"Everybody in the world knows I criticize every day, every hour, the Khmer Rouge," said the prince.

Asked whether he took seriously their announced intention to abandon Communism if the Vietnamese Army gave up Cambodia, Prince Sihanouk replied with a bitter laugh: "If President Ronald Reagan abandons the free world side to adopt Communism, can you believe it? So vice versa, when the Khmer Rouge say they are not rouge, they are not red, don't believe them."

The prince also did not hide his absence of enthusiasm for Mr. Son San, who stepped down as premier in 1967 after a policy disagreement. "Yes, I support Son San because certainly Son San is better than the Khmer Rouge — or less bad," he said.

U.S., China Sign Cultural Exchange Pacts Amid U.S. Fears on Peking's Restrictions

By James P. Sterba
New York Times Service

PEKING — China and the United States have signed an agreement to broaden cultural exchanges but left unresolved complaints that U.S. scholars are denied access to Chinese society and that the Chinese government allows only a warped view of U.S. society to filter through to ordinary Chinese.

The agreement Saturday came after a dispute the previous week over 13 abstract paintings that are part of the first official U.S. art exhibition in China. Chinese officials first demanded that the paintings not be shown, but relented after the United States threatened to cancel the exhibition.

Charles Z. Wick, director of the U.S. International Communication Agency, said he made "a very strong point" of saying on Friday to Chinese leader Deng Xiaoping, senior deputy chairman of the Communist Party, that "American public opinion abhors an imbalance" in scholarly and cultural exchanges.

While about 6,000 Chinese students are now studying in the United States without restrictions, fewer than 300 Americans are studying in China, and they are segregated from the Chinese and routinely denied access to officials and records needed for research.

Democracy Lecture
To the privately voiced irritation of some Chinese officials, Mr. Wick, after Saturday's signing ceremonies for the 1982 and 1983 exchange accords, lectured the Chi-

nese in toasts, saying, "Under our democratic processes we have freedom of expression in art, in literature and in the various sciences which I know are the hallmarks of that which you aspire to."

Talking to U.S. journalists later, he said that Mr. Deng "indicated that they are trying to accomplish as rapidly as they can their emergence from this period of fallow thought, maximum restraints and a closed society."

Privately, a Chinese official said that Mr. Wick seemed insensitive to the trauma Chiao had experienced during the Cultural Revolution. He said China needed perhaps five years of calm political stability, during which dissident "voices would have to be criticized, in order to establish a framework that would allow more democratic interplay."

The official said China's latest campaign against writers and artists who criticized the Communist Party was designed to avoid the "big stick" of total humiliation and allow for an interchange of ideas.

Mr. Wick said: "In our country, Chinese scholars do have an open access to field research in the case of social scientists and laboratory chemists and biologists. And it is very difficult for our people to understand why similar access is a problem in this country."

The new agreement provides for the exchange of cultural and film delegations and dance troupes, direct contacts between Chinese and

China to Fete Taiwan Day, Envoys Say

Effort Seen to Deflate Resistance in Taipei

By Michael Weisskopf
Washington Post Service

PEKING — China's Communist leaders are planning for the first time to mark Taiwan's Oct. 10 National Day with a major celebration aimed at lowering Taipei's resistance to the mainland's conciliatory gestures, according to diplomatic sources here.

Chinese officials planning the festivities, diplomats said, have even considered taking down Mao's portrait from the entrance of Tiananmen Square and replacing it for the day with a picture of Sun Yat-sen, who led the 1911 Nationalist Chinese revolution against the last dynasty.

Diplomats said the celebration here also might include a more balanced official re-evaluation of Chiang Kai-shek, who set up the Nationalist Chinese government on Taiwan after the Communists took control of the mainland in 1949 and forced Chiang and his Nationalist Army to escape.

Reagan already has sent out invitations all over the world to the relatives of important Chinese historical figures, asking them to return for the Communists' unprecedented celebration of the Nationalist Chinese revolution, according to unofficial Chinese sources.

Commemorative Coins
The Bank of China last week announced plans to issue special gold and silver coins commemorating the anniversary. One side will bear a full-length etching of Sun, and the other a portrayal of a famous Nationalist Chinese Army battle during the revolutionary fighting.

The Oct. 10 National Day normally is marked by parties and parades in Taiwan and by stony silence on the mainland, which considers the Oct. 1, 1949, revolution led by Mao to be the true national day.

Chinese strongman Deng Xiaoping, the deputy premier, is hopeful that China's peaceful overtures will eventually pay off, according to diplomats with access to top Chinese policy-makers.

During recent talks with former U.S. President Jimmy Carter, who visited Peking last week, Chinese leaders emphasized their proposal for "party-to-party" talks with the Nationalist Chinese, deflating Taipei's claims that the Chinese would enter negotiations only in the role of provincial authorities.

According to sources familiar with the Carter visit, top Chinese officials stressed what they said were guarantees to Taiwan about its ability to maintain its way of life, saying too much was at stake to trick the Nationalists.

Shcharansky Wife Says Family Fears He's Dead

Reuters

TEL AVIV — The wife of an imprisoned Soviet-Jewish activist, Anatoli B. Shcharansky, said over the weekend that his family was no longer certain that he was still alive.

"I spoke to his mother on Thursday and she told me that he was terribly afraid he may, God forbid, have died, gone blind or something terrible may have happened to him," Avital Shcharansky said Saturday. Mr. Shcharansky's mother lives in Moscow. He is known to have been ailing in May and his mother has been persistent in efforts to aid him or to hear from him.

Rule of Iran's Mullahs Threatened

(Continued from Page 1)

the revolution of the support of innumerable students, intellectuals and professional people, many of whom returned from abroad ready to build a new society. The list includes the central bank director, Ali Reza Nobari, along with much of the top rank of the national oil company.

Two-thirds of Iran's population is illiterate, a fact that increases the traditional tendency to look to the religious authority for guidance and leadership. Control over the state television has given the mullahs another powerful tool. Further, they have shut down all opposition newspapers and even confiscated radio capable of receiving broadcasts from Iraq on the FM band.

The burden of clerical rule — including the banning of alcoholic beverages, Western music and movies; requirements that women be veiled; and Islamic punishments, including death — has fallen most heavily on the Westernized, the educated and the middle class.

In Iran this is a small and dwindling base on which to build an opposition. The opponents of the clerical regime are further hampered by their own divisions, and the lack of vehicles that could serve as the basis of an organization to overthrow the current regime.

A group of former generals and other royalists are clustered in Farshapur, Bakhtiari, the shah's last premier, is among this exile community. Princess Ashraf, the late shah's sister, is said to be preparing for a comeback from the unlikely guerrilla base of Juan-les-Pins on the Riviera. The royalists could press for a restoration under Prince Reza, who has already declared himself to be the new shah. However, it seems unlikely that attempts to return these figures would be greeted with a large measure of popular enthusiasm.

The fugitive president, Mr. Bani-Sadr, has also taken up residence near Paris. Mr. Bani-Sadr has likened his stay to the period in which the ayatollah himself prepared for his triumphant return to Iran. But there is an important difference. From his Paris exile, the ayatollah fed tapes of his speeches to the network of mosques, mullahs and students that provided the structure of revolutionary organization.



Thousands of people participated in the funeral ceremony for Ayatollah Ali Khamenei, the revolutionary prosecutor, who was killed on Saturday when a bomb exploded in his office.

The clergy itself is by no means entirely monopolistic. There are a small but influential number of senior clergymen who are becoming increasingly dissatisfied with the course of the revolution.

By Western standards, the economy might seem to be faltering, with oil production down to 700,000 barrels a day and overpriced in a glutted market.

The oil money affected a fabulously wealthy few, while much of the country still subsists on a simple traditional economy of tiny workshops and bazaar trade. Indeed, Tehran has been undergoing a boom in small construction as houses go up on seized land. Still, the economy — and whether the mullahs can maintain the support of the important Tehran merchants — is an important question.

The most likely challengers to the mullahs' power would appear to come from the military. Many of the officers were educated in the West and some, particularly the young air force technicians and cadets, joined the revolution with modernist, democratic ideals that they later felt were betrayed.

WORLD NEWS BRIEFS

Kreisky Predicts New Wave of Palestinian Terror

LONDON — Austrian Chancellor Bruno Kreisky says he has evidence that a new wave of Palestinian terror is about to sweep the world. Sunday Times of London reported.

Mr. Kreisky said he was assured by Yasser Arafat, the Palestine Liberation Organization leader, that the PLO was not involved in the Arab attack on a synagogue in Vienna in which two persons were killed. The newspaper reported, "But the group that was responsible wants to destroy the moderates among the Palestinians and intends to start a new wave of terror in Vienna, across Europe and throughout the world," he said.

The newspaper said Israeli intelligence believes the Black June Organization was behind the Vienna attack and described the organization as opposed to all political moves to end the Arab-Israeli dispute. "The PLO cannot control this group any longer," Mr. Kreisky said.

EEC to Continue Efforts for Afghan Conference

LONDON — Foreign ministers of the European Economic Community decided Sunday to keep pressing the Soviet Union to withdraw its troops from Afghanistan, but conceded that their search for a mediator role in the Middle East remained in staidness.

A spokesman for Lord Carrington, British foreign secretary and president of the EEC Council, said that during two days of talks the committee agreed to continue their proposal for an international conference on Afghanistan. The proposal has been supported by Pakistan, Iran, the United States and China but rebuffed by the Soviet Union and Afghanistan.

Lord Carrington has decided against any new diplomatic tour to the half of the EEC in the Middle East, at least until President Reagan's administration clarifies its policies over the Arab-Israeli conflict. But a spokesman said the EEC ministers agreed to push for mutual recognition on the part of Israelis and Palestinians as a step toward peace.

Reagan Promises Jobs in Labor Day Address

Washington Post Service

WASHINGTON — President Reagan, in a Labor Day radio address Sunday, said that his economic program would provide "jobs, jobs, and more jobs," but that "we can't make things right overnight."

Although the jobs rate is slightly up and black youth unemployment is at 50 percent, Mr. Reagan predicted a rosy future in which earners would be taking home more money and "fewer of us will be looking for work." He said 3 million new jobs would be created in addition to the 10 million already expected.

"Today, as we set our minds to a new season of work, we began to hope will be a new age of the American worker, an age in which all of us are free to prosper," he said. "Let me make our goal very plain: jobs, jobs, jobs and more jobs."

S. Korean Police Reported To Beat Detainees Routinely

By Henry Scott Stokes
New York Times Service

SEOUL — Law enforcement authorities have been beating political prisoners and suspects in an attempt to repress dissent, according to relatives of prisoners and to Christian activists here and abroad.

The use of violence against people suspected of Communist leanings takes place in detention centers and is routine, according to the sources.

Government spokesmen, questioned about the beatings, said a "policy of reconciliation" went into effect this year. They did not specifically deny that interrogators were using violence.

The dissidents say that the beatings began in November, 1979. Several of those who have been held told a reporter of beatings that took place over a 20-month period.

Reports of mistreatment, especially by the military police, increased after Chun Doo-hwan took power as head of a junta in May, 1980. Because of press censorship and the intimidation of critics, it was difficult for some time to piece together an overall picture.

But after four amnesties this year resulted in the release of several scores of political prisoners and a slight relaxation in the surveillance of dissidents, an overview could be obtained.

Three examples appear illustrative of a pattern of violence:

• Kwon Un San, a handicapped student, was arrested June 18, 1980, and beaten before he was given a 10-year sentence by the Supreme Court on June 3, 1981, according to relatives.

• Lee Kwan Po, an unemployed intellectual, was detained last June 9 and released two days later after a heavy beating. No charges were made.

Solidarity Sees New Role

(Continued from Page 1)

to any reform program that would further decline in the general status of the very poor of that world lead to massive unemployment.

Addressing the delegates Sunday in a sports stadium that had been converted with banners to a cavernous convention hall, Mr. Walesa said that the struggle for human rights in Poland was far from over.

He said that if the union were to win, it must retain its spirit of solidarity as it grappled with a difficult choice — how far to cooperate with the Communists who allowed Solidarity to exist into existence a year ago but engaged in confrontations and polemics ever since.

Pope Comments

CASTEL GANDOLFO, Italy (AP) — Pope John Paul II on Sunday compared the struggles of the independent trade union Solidarity to the sacrifices made by his countrymen in Poland during World War II.

Creating two groups from Solidarity at his summer palace of Castel Gandolfo, the pope said he did not forget the important role that had happened in Poland during World War II.

"Neither can we forget the progress of Solidarity," the pope said. "We must connect these things to the events of World War II." He pointedly added, recalling the deaths of millions of Poles: "We believe this great movement of death was and is our people's life and our right to live in a free society that has its own moral and own individuality, its own vision of the social structure and the dignity of human work."

"Without asking questions they started to beat me," Mr. Lee said in a talk. "Finally about 2 a.m."

West Germany's 'Peace Movement' Is Growing Into a Problem for Schmidt

By John Vinocur
New York Times Service

BONN — There is no Labor Day in Europe to mark a change of gears and speeds, no signal on the calendar that the soft, warm days are over. Rather, Europe glides back to work. So it was that Chancellor Helmut Schmidt sensed back into his office pretty much the way he has done for seven summers. Only this time he discovered that while he was sailing and enjoying the grass at his little house on a lake, things had gotten measurably out of hand.

What had been slipping away was the chancellor's control over his own Social Democratic Party and his ability to rein in, or at least influence, what goes under the name of the peace movement. For a long time, this was a relatively amorphous collection of people opposed to the deployment of new American middle-range nuclear missiles in West Germany. But over the summer, it took body, strength and definition.

Sharp Questions

No longer the murmurs of trendy Protestant theologians and young people with long hair, it is now a deeper current in West Germany, with important support in the media. It is starting to go beyond the issue of the missiles and to demand, with a clear nationalistic tone, a new arrangement for West German security that would diminish the role of the United States.

Just before returning to Bonn, and quite lit-

erally in his own backyard, Mr. Schmidt got a clue about the state of things. He had invited in a television crew for the traditional return-to-work interview, the kind where questions are served up soft and easy. This time they had an unannounced bite: Wasn't the so-called peace movement really quiet out of control? And wasn't the situation now such that West

NEWS ANALYSIS

Germany's allies could begin questioning its reliability and its fidelity to NATO?

Of course, Mr. Schmidt answered no on both accounts. On the other hand, Karsten Voigt, a young Social Democrat and spokesman for parliament's foreign affairs commission, told a reporter that sentiment against the missiles and Mr. Schmidt's pro-Atlantic alliance position was running about 90 to 10 in Mr. Voigt's Frankfurt constituency.

He had talked to a group of young trade union members, traditionally the bedrock of moderation in the party, and the mood was the same. Mr. Schmidt, he said a bit more kindly, should still be able to turn the situation around before a special party congress in April, to which he has tied his future as chancellor, but the situation required enormous work.

The chancellor is not likely to find a great reservoir of sympathy in Washington. The unrelieved criticism of President Reagan by most of the Social Democratic Party has seen to

that. The mood was not improved by terrorist bomb attacks on U.S. property in West Germany last week, including an explosion at Ramstein Air Base, the Air Force headquarters for Central Europe, that injured 20 persons.

Washington's Attitude

Visitors from Bonn to Washington have come away with the impression that the Reagan administration is concerned about the situation in West Germany, but feels that if Mr. Schmidt's Social Democrat-Free Democrat coalition were to fall, its replacement would be a Christian Democrat-led coalition committed to a strong defense and devoid of illusions about Moscow or about West German ability to influence events on its own.

There is some of the same feeling in France. A French foreign policy analyst told an American visitor to Paris that President Francois Mitterrand made "extremely clear, extremely firm" expressions of his unease at a meeting last month with Willy Brandt, the Social Democratic chairman whose vague formulations about the "superpowers," suggesting that the United States and the Soviet Union are essentially alike, have been taken over as basic principles by the peace movement.

The analyst said Mr. Mitterrand told Mr. Brandt, "I don't understand what you are up to" and asked, "What is your rationale?" More than that, Mr. Mitterrand was reported to have said that the Americans are right: that the United States and Western Europe must

arm to re-establish the strategic balance with the Soviet Union.

French inquiet is easy to comprehend. France's security and its ability to play an independent role in world affairs are based in part on West Germany's continued status as a highly armed allied buffer between it and the Eastern bloc. Any change in this arrangement, any softening or new military vulnerability or neutralistic signs in West Germany, are taken as detrimental to France.

Appeal to Nationalism

With their incomparable sense of how their interests are being served, the French have been detecting such signs, noticing also that the German peace movement has begun to employ an appeal to German nationalism as a rallying device. With rightist nationalism widely discredited in West Germany, this area is wide open for the left.

During the summer, there has been a shift in the vocabulary of the movement's spokesmen and theorists. Until recently, the movement's attitudes and goals were presented as if they were also those of West Germany's neighbors.

But now there is a distinctly nationalistic flavor, with West Germany being cast as both victim and potential savior — historically, not entirely an original role. The movement's intellectuals see victimization in their conviction that Washington is planning for the possibility of a nuclear war on West German territory.

Schlagfeld Deutschland, Germany as battlefield, the line goes.

But the line also holds out the Germans as potential saviors: Having started World War II, they have a special responsibility to prevent a new world war.

An Occupied Country

The latest issue of the news magazine *Der Spiegel* is representative of the current tone. The phrase, "the new patriotism," appears in an interview with Heinrich Albertz, a pastor opposed to the nuclear missile deployment, who says West Germans are living in an occupied country. There is another article about Social Democrats demanding a new security policy that would constitute "our own German way."

If this security policy were to follow the ideas of Peter Bender, a writer close to influential segments of the Social Democratic leadership and involved in formulating the *Ostpolitik* of the last decade, then the Soviet Union would allow democracy to come to its doorstep if only Western Europe would stop letting itself be used as an American lance against the Russians. Presumably, this would also lead to the reunification of the two Germans.

"German wished thinking," said Rolf Pauls, the former West German ambassador to the North Atlantic Treaty Organization, replying on television to a similar argument. "German wished thinking," he said again for emphasis, and added, "This is the kind of thinking that

twice in a century has led the German people to catastrophe."

Mr. Schmidt's job in dealing with the peace movement will be all the more difficult now that its proponents are wrapping themselves in patriotism. Rather than the United States, which has all the disadvantages of power and distance, Mr. Schmidt's best allies in turning the situation around may be those Europeans — the French, Italians and Spanish — who also want tensions reduced between the United States and the Soviet Union, but not at the risk of West Germany weakening the Atlantic alliance and European security.

Bonn Military Cuts Seen

BONN (Reuters) — Defense Minister Hans Apel said Sunday that the West German armed forces would have to cut back on some essential items under a 1982 federal budget package announced last week.

Finance Minister Hans Matthöfer set next year's military expenditure at 43.8 billion marks (about \$18 billion) on Thursday, an increase of 4.2 percent on 1981, but almost certainly a decrease after inflation.

Mr. Apel told a television interviewer that West Germany would still be able to carry out a large modernization program under the current budget plans. "But there will certainly be some desirable things and even one or two essential things which we will not be able to finance," he said.

Weinberger Prepares to Do Battle In White House Over His Budget

By Michael Getler
Washington Post Service

WASHINGTON — Like a field commander trying to hold a strategic hill against attackers swarming from below, Secretary of Defense Caspar W. Weinberger is digging in for a battle this week that cuts to the bone of the financial and ideological underpinnings of the Reagan administration.

That battle will be with other key administration figures, especially White House budget officials and presidential aides. It will be over how much, if at all, to cut a \$1.6-billion military spending plan that is meant to symbolize a strengthened, tougher America but which also could wreck another administration goal of fiscal responsibility, lower taxes and balanced budgets.

In a speech to an American Legion convention in Honolulu on

Thursday, Mr. Weinberger made his feelings clear.

"The only sacrifice we must make today is to be prepared to be strong enough to deter aggression. That is the most important task this administration was elected to carry out," Mr. Weinberger told the Legionnaires.

Later, in an interview aboard his plane flying back to San Francisco, Mr. Weinberger elaborated.

"It is not a question of being immune from reductions," he said. "But the simple, sad fact is that because of the neglect of previous years, we do have a very large requirement in the whole defense field."

"We have to move on several fronts. There is the need to modernize and expand the strategic and conventional forces and to fill them out to enable us to play a major leadership role in the world."

Vietnam had caused "a long loss of momentum," he said. The Army, Air Force, Marine Corps and particularly the Navy have to be strengthened to back up the global military strategy the Reagan administration is trying to shape, he said.

Matching Domestic Cuts

"All those things need to be done. ... They are defensive in nature and they are expensive."

Mr. Weinberger said that if these military spending plans are matched by reductions in domestic spending, "I don't think it will be inflationary."

Mr. Weinberger is among the most influential figures around the chief executive. Though always gentlemanly, he is also scrappy and quick to sense intrusions into his bailiwick.

Thus, all last week the defense secretary did not shy away from letting it be known publicly that the battle over the Pentagon's budget was not finished until the last shot was fired and that it would be the president, not any of his top aides, who would fire that shot.

No Decisions Made

White House aide James A. Baker led press spokesman Larry Speakes have talked about military cutbacks of up to \$30 billion, it seems clear Mr. Weinberger was surprised by Mr. Baker's pronouncements.

During the interview en route to San Francisco, Mr. Weinberger did not want to say any more about it. He repeated only that "no decisions have been made."

While Mr. Weinberger chatted with reporters, preliminary drafts of what various levels of military cutbacks would mean were being reviewed in Washington by White House officials and Mr. Weinberger's deputies.

Perhaps with that in mind, Mr. Weinberger seemed somewhat less certain about the dimensions of the military expansion that has been associated with the Reagan administration. Rather, he focused on the subject of the readiness of existing military units.

"What we need to do first is to have a number of trained, fully equipped, ready-to-go divisions. We have some of that but not enough," Mr. Weinberger said.

Explaining why he believes a bigger ground force and expanded Navy are needed, he said, "If, for example, the Soviets thrust through Iran and Iraq into the oil fields, we would have to, if the host countries wanted us, go over there and prevent entry into the oil fields. At the same time, we have to be prepared for the fact that, in a very big global sense, that could be a feint, and that the main thrust might be coming through the central front in Europe."

The defense secretary disputed the contention by some critics that the United States needs simpler rather than more sophisticated weapons, saying the Soviet forces are following the latter route and U.S. units cannot be less well equipped.

Mr. Weinberger also emphasized the need for a strengthened Navy. But here, too, he was non-committal about the Navy goal of building three new carriers.

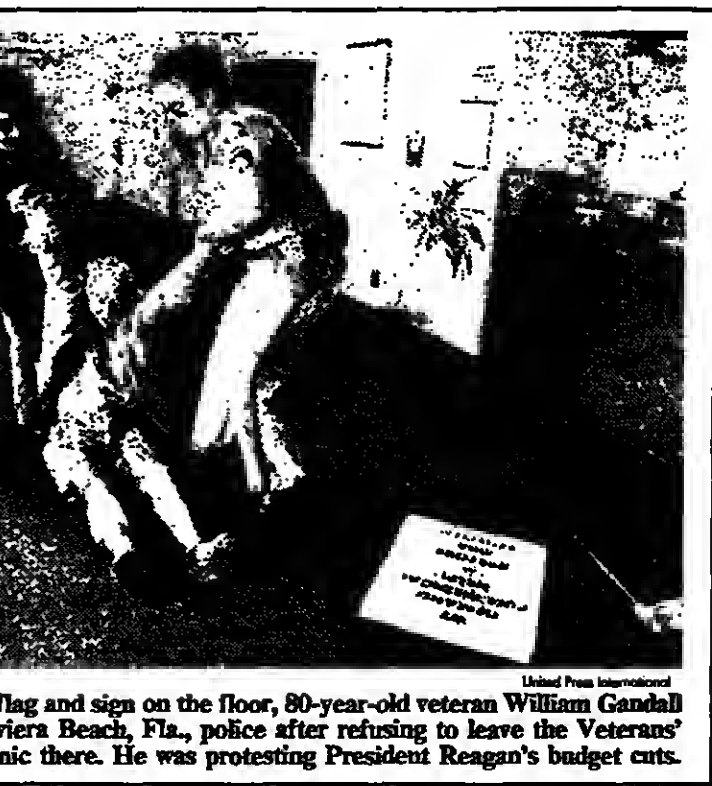
Beyond the carrier whose keel will be laid this fall, he said he did not know whether others would be built in the coming five years.

But he called carriers "one of our most physical and powerful means of conveying and displaying our authority and policies in various parts of the world relatively quickly."

Criticism Over AWACS

In particular, by demonstrating closer and more specific strategic ties to Israel, the administration might be able to deflect some of the criticism over its decision to sell Saudi Arabia five AWACS (Airborne Warning and Control System) aircraft and additional equipment for that country's previously ordered F-15 fighters.

Although supporters of Israel have pledged to mount a major battle in Congress to stop the AWACS sale, Mr. Haig said he did not expect the AWACS to take up



VET PROTEST — With his flag and sign on the floor, 80-year-old veteran William Gandall was arrested last week by Riviera Beach, Fla., police after refusing to leave the Veterans' Administration outpatient clinic there. He was protesting President Reagan's budget cuts.

2 U.S. Senators, in Russia, Hopeful of Better Relations

By Robert Gillette
Los Angeles Times Service

MOSCOW — Two senior American senators who spent a week conferring with Soviet officials, including Foreign Minister Andrei A. Gromyko, said over the weekend that they were leaving Moscow "without optimism, but not without hope" for the future of U.S.-Soviet relations.

Sen. Alan Cranston, Democrat of California, and Charles McC. Mathias Jr., Republican of Maryland, said on Saturday that they were nevertheless confident that "reasonable and rational measures" by the Reagan administration would make it possible for the United States and the Soviet Union to resume arms control talks, starting with negotiations to limit medium-range nuclear missiles in Europe.

But the senators said they detected no clear signs of Soviet flexibility on Afghanistan or any other major issue that could improve the general climate of relations between the Soviet Union and the United States, and the chances of achieving new arms control agreements acceptable to the American public.

Soviet Assurances

Sen. Cranston said that Deputy Defense Minister Nikolai V. Ogarkov and others had assured them that the Soviet Union wanted only military equality with the United States, not superiority, that Moscow believed that nuclear war can neither be limited in scale nor won in a meaningful sense, and that the Soviet Union is not seeking the capability for a pre-emptive nuclear first strike against the United States.

While those statements were encouraging, Sen. Cranston said, they also appeared inconsistent with Soviet actions.

The two senators, both members of the Foreign Relations Committee, met with Soviet and Western spokesmen Saturday but refused to discuss the details of their 25 hours of conversations with Mr. Gromyko, Mr. Ogarkov and other less

White House

senior Soviet officials until they had a chance to brief Secretary of State Alexander M. Haig Jr. on Friday.

Mr. Haig is expected to meet with Mr. Gromyko later this month during the UN General Assembly meeting in New York, in what will be the highest level of contact between the United States and the Soviet Union so far in the Reagan administration.

Sen. Cranston and Sen. Mathias stressed that their visit was an unofficial one, arranged through the Supreme Soviet, the Kremlin's nominal parliament, and that they were not acting as emissaries of the Reagan administration.

"We had no commissions, no offers to make," Sen. Mathias said.

Both senators said that they were impressed but discouraged at the apparent failure of high Soviet officials to understand how strong the Soviet intervention in Afghanistan had colored American public opinion in New York, in the world at large, and had thus affected U.S. foreign policy toward Moscow.

"I was surprised and somewhat disturbed by the width of the gap in understanding between the United States and the Soviet Union," Sen. Mathias said.

"For example, I'm not sure there is a clear enough understanding in the Soviet Union of the kind of emotional shock waves caused by the incursion and continued occupation of Afghanistan... This misperception makes it difficult [for Soviet officials] to understand why negotiations go slowly, why other actions follow."

Major Barriers

Sen. Cranston said that they emphasized to the officials that, aside from Afghanistan, the major barriers to better relations were the following:

- The use of Cuban and Vietnamese troops to support pro-Soviet regimes in Asia and Africa.
- Moscow's continuing deployment of mobile, multiple-warhead SS-20 nuclear missiles targeted on Western Europe.
- The Kremlin's treatment of dissidents and the "failure to live up to emigration guarantees" in the 1975 Helsinki agreement, particularly "in regard to Soviet Jews who wish to leave the country."

Soviet officials offered no explanation of why Jewish emigration has dropped to its lowest level in five years, the senators said.

State Department, Arms Agency at Odds

New York Times Service

WASHINGTON — A behind-the-scenes dispute between the State Department and the Arms Control and Disarmament Agency over which organization should have the chief responsibility for arms control negotiations has turned into a public debate.

For several weeks, aides to Secretary of State Alexander M. Haig Jr. and Eugene V. Rostow, the arms control agency director, have been saying that their respective chiefs had the primary responsibility for negotiating with the Russians and that their organizations would take the lead.

The issue became public when the State Department issued a statement late Thursday that said:

"The State Department has and will continue to take the lead in this administration, coordinating policy required to prepare for and support the conduct of arms control negotiations."

Friday morning, a spokesman for the arms control agency issued a statement saying: "ACDA officials were surprised at yesterday's statement by a State Department spokesman. That statement, which was not cleared with ACDA, is factually inaccurate. The Arms Control and Disarmament Act gives ACDA the responsibility for the preparation and management of U.S. participation in international arms control and disarmament negotiations."

The law, which set up the arms control agency in 1961, is ambiguous. It says the agency's director shall be "the principal adviser" to the secretary of state, the National Security Council and the president "on arms control and disarmament matters."

"In carrying out his duties," the law says, "the director shall, under the direction of the secretary of state, have primary responsibility within the government for arms control and disarmament matters."

The law seems to suggest that the director of the arms control and disarmament agency had to take orders from the secretary of state, but could also report directly to the president since he serves both men equally.

U.S. Abortion Figures Reflect Little Change Since Law Restricted Federal Funding

Washington Post Service

WASHINGTON — Despite the denial of federal funds for abortions, 95 percent of women who might otherwise have turned to Medicaid for help have gotten abortions anyway, the U.S. Center for Disease Control (CDC) has reported.

Contrary to forecasts from both sides in the abortion debate, these women have had safe, legal abortions through state-backed and private programs, according to Dr. Willard Cates of the CDC Abortion Surveillance Branch. Only 1 percent resorted to illegal operations, he said.

The analysis prepared by Dr. Cates was published Friday in The

Journal of the American Medical Association.

The Hyde Amendment of 1976, which took effect in August, 1977, ended federal funding for abortions except to save a pregnant woman's life, to prevent long-lasting physical damage or in cases of rape or incest. In February, 1980, the law was suspended by the courts, but last September, the Supreme Court ruled the amendment was legal.

State-by-State Differences

In fiscal 1977, about 295,000 low-income women had abortions financed by \$87 million in combined federal-state Medicaid funds. In fiscal 1978, federal funding was granted for only about 4,000 abortions, the CDC figures show.

There have been few illegal abortions in any state, but the rate has been higher in some restrictive states, according to the CDC.

In several states, 20 to 30 percent of women who otherwise might have had Medicaid-financed abortions have had their babies, Dr. Cates estimated.

In Texas in 1978, 35 to 40 percent of such women had babies. In Ohio, the figure was 18 to 20 percent, and in Georgia, 18 percent.

"The bulk of low-income women live in the big states like New York and California that have continued to fund abortions," Dr. Cates said.

The CDC survey covered the period from August, 1977, to February, 1980. But the trends it revealed have continued, Dr. Cates said.

He said poor women have paid for abortions in many ways: through state funds, local funds, their own money, with the help of cut-rates by abortion clinics or doctors and, in some cases, through private charity groups, including funds established by Planned Parenthood.

Today, nine states voluntarily fund Medicaid abortions. California and Massachusetts do so under court orders based on state constitutions that promise equal treatment. Pennsylvania and New Jersey do so under interim court orders.

Parole Again Denied For Speck in Illinois

United Press International

CHICAGO — Richard F. Speck, who was convicted of murdering eight student nurses in 1966 and who has shown no interest in getting out of prison, has been denied parole for the second time.

The Illinois Prisoner Review Board on Friday continued Mr. Speck's case until 1984. Mr. Speck, 39, who works as a painter at Stateville Prison near Joliet, indicated in a letter to the parole board that he wanted to stay in prison.

The Israelis want to have an agreement with Egypt to make it less likely that the Egyptians, out of frustration over the autonomy talks, will refuse to maintain good relations after the Sinai has been returned.

Although Mr. Haig said that the administration remained committed to the 1978 Camp David agreement signed by Mr. Carter, Mr. Begin and Mr. Sadat, he said, "We recognize there have been some fundamental changes since Camp

David in the whole Middle East environment and situation."

He said in particular this was the caused by the recent developments in Lebanon that began with clashes between the Christian Phalangists and Syrian troops. These clashes were followed by a confrontation between Israel and Syria over the stationing of Soviet-made Syrian anti-aircraft missiles in Lebanon, fighting between Israel and Palestine Liberation Organization forces and, finally, a ceasefire involving Israel and the PLO that the United States and Saudi Arabia helped organize.

Mr. Haig said, "The situation in Lebanon and the peace process... while on totally separate tracks, are increasingly interrelated. A failure or a collapse of one can have a serious impact on the other, whereas progress in one contributes to an atmosphere of progress in the other."

Philip C. Habib, the retired diplomat who has served as Mr. Reagan's special representative in defusing the crises over Lebanon, will take part in the talks with Mr. Begin, Mr. Haig said.

Food Cuts for Children

WASHINGTON (NYT) — The Agriculture Department has proposed reducing the amount of food served to children receiving federally subsidized lunches in schools throughout the country.

The proposal would abandon a goal set at the program's inception 35 years ago: To serve lunches that give children one-third of the recommended dietary allowances for a variety of nutrients. The new rules do not set firm or precise overall nutritional goals.

Agriculture Department officials said that the rules would diminish the cost of preparing a school lunch by reducing the quantity of food that must be served. This saving, in turn, would help schools cope with the reduction in school lunch subsidies mandated by Congress this year, the officials said.

Lynn Parker, a nutritionist with the Food Research and Action Center, a nonprofit, public-interest law firm, said that the proposed changes were significant because many children from low-income families depended on school lunches for one-third to one-half of the nutrients they consumed in a day.

The school lunch program provides meals to 26 million children in more than 94,000 schools.

Nutrition specialists said that even children from more affluent families did not always receive nutritionally sound, well-balanced meals at home.

G. William Hoagland, administrator of the department's Food and Nutrition Service, acknowledged that the proposed changes would mean less nutrition for some schoolchildren. But he said that children would still receive balanced, nutritious meals containing meat, fruit, vegetables, bread and milk.

"This doesn't undermine the nutritional integrity of the program," he said.

The proposed rules were published Friday in the Federal Register, the first step in a formal rule-making process, and will accept comments until Oct. 5.

Russia Sentences Dissident Author

The Associated Press

MOSCOW — Anatoly Marchenko, veteran dissident and author of an account of life in Soviet labor camps, has been sentenced to 10 years in a strict regime labor camp to be followed by five years of internal exile, the Tass news agency reported.

Mr. Marchenko, 43, was a founding member of a Moscow group that monitored Soviet compliance with the human rights provisions of the Helsinki accords on European security. In 1969, he wrote "My Testimony," the first post-Stalinist account of life in Soviet prison camps.

Dissident sources said that his trial last week on charges of anti-Soviet agitation and propaganda, Mr. Marchenko refused to recognize the court or his court-appointed lawyer. They said a series of his writings were presented as evidence against him.

U.S. Sets New Limit On Assets for Welfare Payments to Families

By Morton Mintz
Washington Post Service

WASHINGTON — The Reagan administration has approved controversial new regulations to deny welfare aid to any of 3.9 million families with personal property worth more than \$1,000, excluding equity in a home and car and aside from items "necessary" for day-to-day living.

An aide to Richard S. Schweiker, secretary of health and human services, said Friday that the secretary attempted to curb possible harshness in the new rules mainly by allowing each state to define what assets are necessities.

Mr. Schweiker signed the rules, which will govern eligibility for the largest welfare program, Aid to Families with Dependent Children (AFDC), and sent them to the White House Office of Management and Budget for review and clearance.

The \$1,000 limit was imposed by a provision of the Omnibus Budget Reconciliation Act, the key budget-cutting measure sought by President Reagan and signed by him in August. The limit had been \$2,000, by regulation rather than law.

At first, the provision was little noticed. When it came to public attention two months ago, however, welfare experts expressed alarm that it could force the states, which pay approximately half the costs of the program, to send out hordes of inspectors to assess items such as used clothing, old furniture, and pots and pans.

To eliminate such a possibility, Mr. Schweiker defined the word "home" to include all of the items essential to everyday life, not simply the structure in which a family dwells.

"I just didn't feel we should be forcing people who are on the AFDC rolls to sell their furniture and equipment," he said. "That makes no sense at all."

Mr. Schweiker did not specify in the regulations what items are "necessary."

Instead, said his press aide, Laura Genero, he is leaving that to each of the states. As to enforcement, she said, Mr. Schweiker intends to consult with state welfare officials and is considering the possibility of a standard form in which each AFDC recipient would be required to list all of the household's so-called income-producing assets. The form would warn that falsification would be an offense.

The aide said she had no idea how many of the approximately 11 million AFDC beneficiaries nationwide may be affected.

Mr. Schweiker did not release the text of the draft rules pending OMB action on them, which has led welfare experts to qualify their comments. The initial tentative revisions included praise from the National Governors Association, sharp criticism from Maryland, and milder criticism from Virginia.

Parole Again Denied For Speck in Illinois

United Press International

CHICAGO — Richard F. Speck, who was convicted of murdering eight student nurses in 1966 and who has shown no interest in getting out of prison, has been denied parole for the second time.

The Illinois Prisoner Review Board on Friday continued Mr. Speck's case until 1984. Mr. Speck, 39, who works as a painter at Stateville Prison near Joliet, indicated in a letter to the parole board that he wanted to stay in prison.

The Egyptians have indicated that they would like to reach agreement with Israel on self-rule for the Palestinians in the occupied West Bank and Gaza Strip to offset criticism that at Camp David in September, 1978, all President Anwar Sadat really agreed to was a separate peace treaty with Israel.

The Israelis want to have an agreement with Egypt to make it less likely that the Egyptians, out of frustration over the autonomy talks, will refuse to maintain good relations after the Sinai has been returned.

U.S. Weighs Increased Military Role in Israel

(Continued from Page 1)

that are scheduled to resume in Cairo Sept. 23.

Some officials said that the decision to give more meaning to the strategic relationship between the United States and Israel was being made by the administration to offset any criticism that Mr. Haig's interest in "a strategic consensus" in the Middle East against the Russians was too heavily directed at improving U.S. ties with Arab states.

In particular, by demonstrating closer and more specific strategic ties to Israel, the administration might be able to deflect some of the criticism over its decision to sell Saudi Arabia five AWACS (Airborne Warning and Control System) aircraft and additional equipment for that country's previously ordered F-15 fighters.

Although supporters of Israel have pledged to mount a major battle in Congress to stop the AWACS sale, Mr. Haig said he did not expect the AWACS to take up

DOLDER GRAND HOTEL ZURICH

A house of tradition

an outstanding reputation for the very highest standard

Raoul de Gendre, Dr. Kurbachstrasse 65, CH-8032 Zurich
Telephone 01 251 82 31
Telex 23469 grand ch

Masking African Confusions

The Reagan administration is bumping against the limits of its ideology in southern Africa. The true enemy, according to its latest policy pronouncements, is "revolutionary violence" of the Marxist or Soviet-supported sort. Yet to most Africans, and not only to them, "revolutionary violence" is mainly the label that South Africa and supporters of its ways apply to those who challenge the power wielded inside and outside its borders by South Africa's white minority government.

Inside its borders the Pretoria regime has lately been shrinking the space available for peaceful change. Outside, especially in the Namibia-Angola sector, it has been freely applying its great advantage in conventional power. In word and deed, the Reagan administration appears to be going along.

The Namibian crisis is becoming especially acute. South Africa, seeing Ronald Reagan coming, slipped past the international effort led by Jimmy Carter to grant independence to the colony it took over from Germany after World War I. That left it squarely up to President Reagan to use his conservative bona fides to coax South Africa to let Namibia go.

The administration has been extremely solicitous in caring for Pretoria's security and political interests in Namibia. Pretoria, however, gobbles up every concession and indulgence and invites more. It acts as though Mr. Reagan prizes its anti-Communism and its economic assets so highly that he will not really object if it grants a mock independence to a Namibian puppet regime. The administration contends that progress is being made, but the unanswered question remains whether Mr. Reagan is being gulled by the South Africans or whether he is winking at them.

This is the backdrop to the fighting across the Namibian-Angolan border. Angola provides sanctuary to the SWAPO guerrillas contesting the Pretoria-backed coalition in Namibia. South Africa regularly strikes back — to pursue the guerrillas and, not so incidentally, to punish Angola for harboring them. After the latest such raid, an especially long, deep and destructive one in which Soviet supporting forces were also engaged, a resolution was introduced into the Security Council condemning South Africa. Alone,

the United States vetoed it on grounds that in singling out Pretoria's attack and ignoring SWAPO's provocation the UN's Third World-Communist majority was doing its familiar unfair thing.

It is true that the United Nations, by dozens of votes like this over the years, has shed its claim on the attention of serious people. Yet the Reagan administration gives the impression of shielding its own real policy confusions behind the UN's institutional flaws. The heart of the matter is that the president has not yet made it unequivocally clear that South Africa will not be allowed to go back on its word to grant independence to Namibia. South Africa is the occupying power there. It has no right to be there. The very hint of U.S. collusion to enable a regime Africans detest to harden its grip on a fellow African people undercuts U.S. interests in the region.

The administration keeps insisting that "progress toward a Namibia settlement could set the stage for withdrawal of Cuban forces from Angola." Fine. But does it not then follow that the administration should be using its influence to deliver South Africa to a settlement? In fact, the Reagan team wants much more in Angola than the departure of the foreign Communist forces protecting and supporting the Luanda regime. It demands that Luanda somehow make a place for its challenger, the "significant and legitimate" — and anti-Communist — Jonas Savimbi. The many governments that recognize Luanda consider that the Angolan civil war ended in 1976. The U.S. government holds that it is still on.

This creates the administration's dilemma. Mr. Savimbi has a claim to being, among other things, a nationalist with a demonstrated constituency and geographical base. Yet to support him is to fall into a partnership with South Africa that could cripple U.S. dealings elsewhere in Africa, and it is also to give Luanda yet another pretext to cling to the foreign Communists whose presence most troubles the administration in the first instance. In short, the chief obstacle to the administration's effectiveness in southern Africa is itself.

THE WASHINGTON POST.

Soviet Food Pinch

For the third year in a row, the Soviet grain harvest is expected to fall far short — by 40 million to 50 million tons — of the official goal. Russian agricultural areas suffer from hard winters, a short growing season and frequently, as this year, low rainfall. But production suffers even more from the inefficiencies of a system designed with factory workers in mind.

Even with modern machinery, farming is an around-the-clock job. As the disappointing production of Soviet collective farms reveals year after year, it cannot be done well by workers who are waiting for the whistle to blow or who feel no personal tie to the land they farm. Failures in other sectors of the Soviet economy — a lack of tractors, for example — are also crippling. Many of these shortages are the result of resources having been diverted to meet military needs.

Coming on top of two previous bad years and Jimmy Carter's grain embargo, this harvest will be felt throughout the Soviet economy. Not only will grain be short, but because of the lack of animal feed, so will meat and dairy products. Informal rationing has already been instituted. The government will be forced yet again to postpone its long-held goal of improving the domestic diet. The

commitment made to supply various foodstuffs to Poland will exacerbate the shortages and worsen citizen discontent.

Worst of all, from the Kremlin's point of view, the shortage will force the government to import very large amounts of grain, using up much of the country's hard currency earnings, which the Moscow would much prefer to spend purchasing Western high technology. The imports also constrain foreign policy options, since most of the world grain trade is supplied by the United States, Canada and Australia and could be cut off in the wake of, for example, an invasion of Poland.

The harvest's economic repercussions will not be limited to the Soviet Union. Heavy Russian buying in international markets will drive up food prices in the United States, benefiting farmers but hurting consumers and slowing efforts to control inflation. In spite of the president's constitutional dislike of anything that smacks of interference with free trade, the administration needs to decide in advance approximately how much grain the United States will sell to the Soviet Union. It is the sudden and unanticipated sales, like those of 1975, that drive commodity prices sky high.

THE WASHINGTON POST.

International Opinion

Structural Strain in Bonn

Unemployment on a large scale is now becoming a permanent feature of the German economy. The safety net of social security is coming under strain. As more people lose their jobs it becomes progressively more difficult to finance the income support measures which seemed essential to avoid social unrest in the days when full employment was taken for granted.

These pressures will grow as the unemployment gets worse. Chancellor Helmut Schmidt has linked the austerity budget with the need to cut public borrowing and thus reduce interest rates.

[There could be a growing structural problem for the German economy in the 1980s. The economic miracle was built on the success of a remarkably efficient engineering industry, with motor cars as the driving force. Yet over the next decade the most rapid growth is likely to be found in other areas where Germany is less well placed.

It is Japan, not Germany, which is poised to dominate the third industrial revolution of electronics and robot-based industries. Carrying through the changes needed to catch up with the lead which the Japanese have already built will strain the German economy to the limit.

— The Times (London).

Speer, Hess and Jail

It is 36 years since the war ended. Speer served 20 years in Spandau jail for his crimes, and it would be absurd if hatred and enmity were to last for ever.

But one thing is strange. Throughout the war, Speer was at Hitler's side. He was responsible for the exploitation of slave labor. By comparison, Rudolf Hess was as innocent as a new-born babe. He had fled Germany before the real wartime atrocities started. Yet while we offer tea and toast and a TV fee to Albert Speer, Hess is still in jail after 41 years.

— The Sunday Express (London).

In the International Edition

Seventy-Five Years Ago

September 7, 1906

HAVANA — A movement, peaceful but ominous, has been begun that may render victory valueless to the force in the field, for laborers are leaving the country. The Hamburg-American boat that sails tomorrow carries 300 immigrants for Corona. Other outgoing ships are likely to be filled to their capacity for some time. Sugar planters are at their wits' end, as they cannot harvest their sugar cane, and men versed in finance are beginning to fear panic. None will loan money save on the best security. The planters usually need a loan of 10 percent of the value of a crop to harvest it. One of the foremost businessmen in Cuba today asserted: "Only the United States can prevent ruin."

Fifty Years Ago

September 7, 1931

THE HAGUE — The Court of International Justice, by the votes of eight judges to seven, has condemned as illegal the Austro-German plan for a customs union, in a judgment formally delivered today. The court's finding is that the project is incompatible with the treaty of Saint-Germain signed in 1919 between Austria and the Allies, and with the financial protocol signed by Austria in 1922. The minority judges included Frank Kellogg, U.S. representative, and Sir Cecil Hirst, British representative. The court's decision was generally anticipated in view of the declaration of the German and Austria foreign ministers at Geneva this week that they had abandoned the customs union plan.

Neutron Bomb's Illusions

By Herbert Seoville Jr.

DURANGO, Colo. — The recent debate on the neutron bomb, sparked by President Reagan's decision to procure the weapon, is founded on a total misconception of its military value.

It is being promoted as the United States' answer to an attack in Western Europe by the Soviet Union with its greater number of tanks. Yet the neutron warheads are actually less satisfactory for coping with Soviet tanks on the battlefield than the standard fission weapons they are to replace. This fundamental fact has been lost in the public clamor in the West over the neutron weapons and the Soviet propaganda campaign against them.

To understand why the neutron bombs are less effective one need only compare the effects of a fission warhead typical of those now deployed, which has a 10-kiloton yield equivalent to 10,000 tons of TNT, with the effects of a standard neutron one-kiloton warhead, such as those now authorized by Mr. Reagan. The nuclear radiation from both these warheads incapacitates tank crews at the same range, about one-half mile from the point of burst. So the neutron bomb provides no gain when it comes to killing tank crews.

But killing tank crews with nuclear radiation is not a very satisfactory way of neutralizing a Soviet tank on the battlefield. Radiation kills slowly. An individual who receives just a lethal dose might not suffer ill effects for a day or so and could continue to fight with his tank. Even if he was exposed to five times a lethal dose, he might



suffer temporary incapacitation, then recover and be able to fight for several hours as a tank. How is the NATO field commander to know whether he has really put a tank out of action when he sees an undamaged tank on the battlefield? Attacking the tank crews with radiation is most unsatisfactory from his point of view.

Only when the tank is visibly damaged by the blast from an atomic weapon can the commander be confident of having repulsed a tank attack. But the standard neutron warhead will damage tanks only up to 200 yards. The currently available fission warheads, however, damage tanks at 600 yards, three times the range of the replacement neutron warhead.

There is no question that the neutron warheads are inferior anti-tank weapons from the point of view of the field commander.

Why, then, do political leaders still want neutron bombs? They want them because the lower-yield neutron weapon has less blast than the current fission weapon and will cause less collateral damage to structures. Existing warheads damage buildings more than two miles away, while the neutron bomb has a damage radius of less than a mile. Thus, it might be easier to decide to use neutron weapons.

With either of these types of weapons, however, the people in a three-square-mile area around the blast will suffer

long-term radiation effects. Since 1,000 to 10,000 such weapons might be used in a European conflict, the population of 3,000 square miles to 30,000 square miles might be effected. These casualties would be more extensive in the case of neutron bombs because the neutrons they radiate are more prone to produce delayed radiation damage than are the gamma rays of normal fission warheads. Neutron bombs are not designed to make nuclear war pleasant for civilians.

Finally it is naive to hope that the neutron bomb will spare European cities from destruction. Once any nuclear weapons are used, the Soviet Union will certainly respond with its higher-yield fission bombs. It will certainly not spare the cities and industrial areas of Western Europe.

There is no way to make nuclear war more acceptable. The neutron bomb is designed to make it a little more credible that Western leaders would initiate the use of nuclear weapons. In reality it will also make it more likely that Europe, and probably the United States and the Soviet Union as well, will be destroyed in a nuclear catastrophe.

The writer, formerly technical director of the Defense Department's Armed Forces Special Weapons Project, is author most recently of "M.X., Prescription for Disaster." ©1981, The New York Times.

Feisty Begin Ready for Defiant Encounter With Reagan

By Philip Geyelin

WASHINGTON — Israel's Prime Minister Menachem Begin is coming to town this week in an angry, feisty, frustrated frame of mind, according to officials who should know. The question even they can't answer is how much he will allow it to show.

At least some of the Reagan administration's most influential policy-makers are increasingly in favor of bearing down hard on Mr. Begin if push comes to shove, as it very easily could. The question they can't answer is how far President Reagan, in his first meeting with the Israeli prime minister, is prepared to go.

All of which suggests that his meeting with Mr. Begin shapes up as by far the most unpredictable and portentous of any of the get-to-know-you first encounters that Ronald Reagan has faced.

Consider how precariously the stage is set. With one thing or another (the Israeli use of made-in-America warplanes to bomb Baghdad and Beirut; the Begin government's obstruction, in American eyes, of West Bank "autonomy"), Israeli relations were already quite sufficiently strained. Now the proposed sale of U.S. AWACS aircraft to Saudi Arabia has Mr. Reagan and Mr. Begin on a clear collision course.

Best Defense Planned

U.S. public support for Israel in general and Mr. Begin in particular has rarely been so low. That might be reason enough for Begin to exercise restraint.

But Mr. Begin apparently thinks that his best defense is a good offense. "He comes here believing he doesn't owe Reagan anything," says one informed Israeli. The Israeli prime minister believes, deep down, that the administration not only wished secretly for his defeat in last June's Israeli election but worked for it by not helping push the Camp David process forward earlier this year when the "peace" issue was his most effective campaign talking point.

So Mr. Begin will arrive well-armed with grievances of his own if the Americans want to rake over old unpleasantness. Mention of the postponement on delivery of F-16 fighter-bombers bought by Israel will be met, I'm told, by sharp reminders that those planes were part of a firm quid pro quo for Israeli agreement on the second-stage withdrawal from the Sinai on Sept. 15.

If things get heavy, Mr. Begin will not hesitate to remind Mr. Reagan that his administration's agreement to enhance F-15 fighter-bombers for Saudi Arabia with fuel



tanks and air-to-air missiles is a plain violation of a written pledge by former Defense Secretary Harold Brown, in May, 1978, not to do just that.

"The word of the United States is very much in doubt in Israel, and for good reason," says one Israeli diplomat. In other words: The burden is not on Israel but on the United States to prove its trustworthiness.

The Smart Way

How? Not, obviously, by withdrawing the offer of the controversial early-warning and command AWACS aircraft to the Saudis. Mr. Begin knows that Mr. Reagan's commitment to the AWACS deal is irreversible. The crucial question, one on which the success of this week's meeting may well turn, is how, given these realities, he will behave.

The smart way, most Israeli and U.S. authorities will tell you, would be for Mr. Begin to state his position and make his point: not to accept that if he lobbies heavy-handedly against the AWACS deal and Congress turns it down, he will have helped to humiliate Mr. Reagan in his first confrontation with Congress on foreign policy.

The merits of the AWACS sale may be arguable, but the transaction is a long way down the road. As a matter of tactics, accordingly, there is something to be said (and some informed Israelis are already saying it) for Mr. Begin to find a discreet way to go out and lose this case — for the Gipper, so to speak. That would leave him in a stronger position to turn the AWACS argument upside down — to ask, as an offset for the AWACS, for even more U.S. weapons and financial relief.

Mr. Begin has been hinting at some sort of tighter defense alliance with the United States, without offering details. His aides speak of the need to redeploy at least two squadrons of F-15s in southern Israel to counter the Saudi AWACS.

Somewhere in all this there is at least the possibility for something upbeat, especially if the security issues can be coupled with agreement on a common approach to the Camp David "autonomy" talks with Egypt, which are due to resume later this month. But it will take a delicate blend of U.S. toughness and Israeli restraint to produce a turn for the better in the relationship. There are more than enough ingredients readily at hand on both sides to produce a turn for the worse.

©1981, The Washington Post.

France and Italy: Welcome Shift in Power Formations

By William Pfaff

PISA — The political scandals of recent months in Italy are the external signs of a subterranean shift of power in the country. In France, an investigation is going on into a strange, arm organization tied to the Gaullist Party. The investigation would not be possible if the Socialists had not come to power. In France too, a crucial shift in political power has anticipated a redistribution of private power. In both countries the long political domination by a certain group, and even by class, has been greatly weakened, to eventual constructive result.

The recent affair of the P-2 Masonic lodge in Rome, with its links of influence and blackmail throughout the government, was not specifically a scandal of the ruling Christian Democratic Party. The Catholic party and the anticlerical Masons make an incongruous alliance.

It was a scandal of Italian government and society, and these have been under the domination of the Christian Democrats since World War II. Had such an affair arisen before now, it would have been hushed up, as nearly all post-war Italian political scandals have been hushed up, simply because in one way or another some influential Christian Democrat, or the party itself, would have come out badly.

Undramatic Decline

Today, the attempt is being made to cover up the scandal's consequences, but it doesn't work any longer. The old power of political intimidation is no longer there. Careers no longer can be ended or begun by word from the Christian Democratic headquarters. The party's favor is no longer the one road to the top of government.

No one else has taken the place of the Christian Democrats. The Italian Socialist Party is more important today than in recent years, and the Communist Party, of course, now conducts an intricate and elaborate brokerage of power in Rome. But this means merely that the Christian Democrats are no longer in unqualified control.

Their decline has been undramatic, geological in its slowness, but unmistakable. The church itself no longer possesses its old influence in an increasingly secular Italy. The Italian Communists are no longer damned by the mark of Moscow's domination.

One-Party Rule

The country, like the Italian economy, has learned to function despite government rather than through it. It works best while the government sleeps. Obviously this is a worse way to survive than if there were effective and responsible government. But it is a great deal better than submission to the misrule of irresponsible government. And the present Italian capacity to function despite bad government anticipates the changes that must eventually take place as the exceptional circumstances that imposed the one-party rule of recent decades slowly dissolve.

The French case is comparable to the Italian in demonstrating what goes bad when there is prolonged single-party government. When the Fourth Republic collapsed in 1958, unable to master the Algerian crisis, De Gaulle took charge of a government whose professional army soon opposed his policies, whose elite military formations mutinied and whose police and intelligence services were internally divided on the question of Algerian independence.

The general's followers therefore created parallel intelligence and combat groups whose loyalty was certain, and these fought the mil-

itary mutiny and the Secret Army Organization that carried on an underground armed struggle against De Gaulle and his government until well into the 1960s. One of these groups was the Civic Action Service (SAC).

When the battle was over, the SAC lived on, policing Gaullist meetings, putting up its posters, running its errands, providing small-town committees with the joys of secret organization and the hint of danger — and, along the way, becoming more and more corrupt.

It should have been suppressed a dozen years ago. President Georges Pompidou is said to have tried. But the SAC still had too many powerful friends, and was useful to too many important people. And its questionable episodes were always covered up so long as the conservative parties were in power, because even the men who hated it also feared the damage it could do if it turned against its one-time masters. Its very existence had become a means to blackmail the ruling parties.

Now members of this organization have been accused of an atrocious multiple murder of a region-

al SAC official and his family. The associations of the crime with the SAC have not been covered up. The neo-Gaullist party, Jacques Chirac's RPR, and perhaps others from the government just turned out of power will almost certainly be damaged for having allowed this group to exist, or even for having made use of it.

Power Dispersed

But of course it is a good day for democracy in France when such a group is suppressed. It is an extremely good day for democracy when scandals are impartially investigated — as thus far has happened in the French case, to the joy and profit, naturally, of the Socialist government.

It is a good day in Italy when scandals multiply and investigation can no longer be cut off because magistrates, policemen and journalists know that power in the country has become sufficiently dispersed for them to be able to do their duty and be congratulated for it, rather than ruined.

The governments of France and Italy have been under a certain

shadow in recent years because in both countries power was too long in the same hands, and with it, privilege — inevitably including private privilege.

Change now has come to France. It is coming, glacially, to Italy. This is bright news, tempered only by the fact that those who succeed to power will encounter the same temptations to corruption that are the temptations of power itself. They are likely to preserve their virtue only if they are convinced, as their predecessors arrogantly were not, that defeat is easy and retribution certain for those who lapse.

©1981, International Herald Tribune.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

Lee W. Haeberle Publisher
Philip M. Folsie Executive Editor
Walter N. Wells Editor
Robert E. McCabe Deputy Editor
Stephen Klaidman Chief Editorial Writer

John Hay Whitney Chairman
Katherine Graham Arthur Ochs Sulzberger Co-Chairmen

International Herald Tribune, S.A. au capital de 1.200.000 F.R.C.
Paris No 75 211 170181, rue Charles de Gaulle, 8231 Neuilly
France. Tel: 40-12-45 Telex: 61718 Herald. Paris, Cuba, Mexico, Brazil
Paris, Dominican Republic, Puerto Rico, U.S. subscription
price: \$24 yearly. Second class postage paid at Long Island City,
N.Y. 11101 © 1981 International Herald Tribune. All rights reserved.
Communication Publication No 24 231
General Manager, Avenue de la Libération, 25 75014 Paris, France
1001 Hong Kong, Tel: 5 23 36 11, Telex: 9170 BETHANK

Roland Pinson Associate Publisher
René Boudy Director of Finance
Francis Desmarais Director of Circulation
Richard H. Morgan Director of Advertising

Air Executives Said To Have Pressed FAA To Cut Safety Rules

By John Burgess
Washington Post Service
WASHINGTON — Executives from major American airlines and aircraft manufacturing firms asked for wide-ranging reductions in certification and safety regulations during a closed-door meeting two months ago with the Federal Aviation Administration chief, J. Lynn Helms, a transcript of the meeting shows.

In general, according to the transcript made available by a Ralph Nader group, the executives argued that the regulations do not improve safety levels but raise costs significantly.

Mr. Helms said he wanted to "stop the ever-expanding regulation. In fact, we need to accelerate the effort of deregulation," Mr. Helms said, according to the transcript. He also stressed that safety is the FAA's prime concern but said attention also should be given to the economic implications of the regulatory agency's decisions.

Meanwhile, Canadian aviation officials have said that the U.S. control system is operating "in a professional and safe manner." The officials last week toured the air traffic control center in Leesburg, Va.

In Ottawa, Walter McLeish, Transport Canada's air administrator, raised U.S. preparation for the strike. It had allowed 75 percent of commercial flights to continue operating "with no reduction in safety," he said.

Mr. McLeish dismissed allegations made by the Canadian controllers' union about violations.

The Canadian Air Traffic Controllers Association last month boycotted flights to and from the United States for two days to back its claim that inexperienced U.S. controllers threaten air safety.

Bill Robertson, president of the Canadian group, said that although the Canadian government has publicly labeled the U.S. system safe, Ottawa has privately instructed controllers to take extra precautions with U.S. traffic.

He also pointed out that the Leesburg facility has nothing to do with his union's concerns over cross-border traffic. Leesburg lost only about 40 percent of its controllers to the strike, compared with 75 percent nationwide.

Mr. Robertson on Friday released details of 80 instances of aviation irregularities, ranging from near collisions to nonconformity with standard procedures, United Press International reported.

He said that on two occasions — the first on Aug. 14 near Northway, Ala., and the second on Aug. 18 on a route from Chicago to Calgary, Alberta — flights over U.S. and Canadian air space breached air safety rules by coming within 10 miles or one minute's flying time of each other.

The Canadian government and union are jointly investigating reported safety violations on cross-border routes. So far, joint teams have investigated more than 40 reported incidents. In most cases, these procedural errors were confined to the errors were made by U.S. air traffic controllers.

Mr. Helms' meeting with airline industry officials was held June 30 in a Washington hotel. According to the transcript, he assured the participants that efforts would be made to keep the proceedings confidential. The Aviation Consumer Action Project, part of the Ralph Nader organization, obtained a transcript through the Freedom of Information Act and released it to the press.

An FAA spokesman, Fred Farrar, said on Saturday that Mr. Helms, a former president of Piper Aircraft Corp., called the meeting to gauge the industry's thinking on aviation issues. But he added, "In no case will safety be compromised."

At the meeting, E.H. Boudillon, president of Boeing, the largest U.S. manufacturer of commercial aircraft, said, "More and more regulations have been imposed. . . Few of these regulations have contributed to significant safety improvements. Most would not survive a cost-benefit assessment."

Stanford McDowell, chairman of McDonnell-Douglas, complained of texts the FAA required his firm to conduct on the engine pylon design of DC-10s following the 1979 crash in Chicago in which 273 persons were killed.

"The tests were too extensive and costly," Mr. McDowell said. "In my opinion, . . . it didn't add a thing to the conclusion."

Edward Acker, then chairman of Air Florida and now head of Pan American World Airways, said some safety regulations are outdated and that some safety rules give foreign carriers a competitive edge.

Sanford McDowell, chairman of McDonnell-Douglas, complained of texts the FAA required his firm to conduct on the engine pylon design of DC-10s following the 1979 crash in Chicago in which 273 persons were killed.

"The tests were too extensive and costly," Mr. McDowell said. "In my opinion, . . . it didn't add a thing to the conclusion."

Edward Acker, then chairman of Air Florida and now head of Pan American World Airways, said some safety regulations are outdated and that some safety rules give foreign carriers a competitive edge.

Sanford McDowell, chairman of McDonnell-Douglas, complained of texts the FAA required his firm to conduct on the engine pylon design of DC-10s following the 1979 crash in Chicago in which 273 persons were killed.

"The tests were too extensive and costly," Mr. McDowell said. "In my opinion, . . . it didn't add a thing to the conclusion."

Edward Acker, then chairman of Air Florida and now head of Pan American World Airways, said some safety regulations are outdated and that some safety rules give foreign carriers a competitive edge.



MUSEUM PIECE? — Air France and British Airways have lost money on flights of their Concordes, but the Imperial War Museum near Cambridge, England, makes money just by charging customers for a walk through one of the planes.

Reagan Aide Restores Perks Cut Under Carter

By Phil Gailley
New York Times Service
WASHINGTON — John F.W. Rogers, the keeper of perquisites and privilege in the Reagan White House, says he is a bit puzzled by the austere ways of his predecessor, Hugh A. Carter Jr.

Take television sets — which is exactly what Mr. Carter did. Television sets didn't become White House status symbols until Hugh Carter, widely known in the Carter White House as "Cousin Cheap," took away more than 200 of them.

As an economy measure, Mr. Rogers contended, the move was more symbolic than real. "The TVs went into storage, and most of them were eventually redistributed to other federal agencies, so I can't see any real savings there," he said.

These days, a television set barely qualifies as a perk in the White House. One is available to any official who says he needs it. So are newspaper subscriptions, automobiles from a motor pool, and military aircraft, all of which were tightly controlled by Hugh Carter in his efforts to tame the so-called imperial presidency and slash White House spending.

Mr. Carter, now president of the American EnerSource Corp., an energy company in Arlington, Va., still sees his economy moves as more real than symbolic, no matter what Mr. Rogers says.

"Appropriate Cuts" — "Obviously, I don't share his opinion," said Mr. Carter, with some irritation. "We would not have done these things if we had not thought them appropriate and worthwhile."

In the same months when President Reagan was fashioning huge budget cuts for social programs, Mr. Rogers, as director of the White House Office of Administration, was quietly undoing most of the austerity of his predecessor. And he says he has kept his restoration of many of the imperial trappings within the budget he inherited from the Carter administration by diverting some personnel funds to other uses.

"I think the Reagan people may be going to the opposite extreme," said Paul Costello, who worked as a press assistant to Rosalynn Carter.

For other veterans of the Carter White House, however, that concern is tempered by memories of the way things were under Jimmy Carter's second cousin.

White House aides said they had to barter with officials in other departments for pads of yellow legal paper in the first wave of austerity; Gretchen Poston, social secretary in the Carter White House, was said to have been furious when she was told to put turkey on the menu for a state dinner to save money and to bill it as a traditional American dinner to save face; advance teams who laid the groundwork for presidential trips had to use military cargo planes, which they referred to as "tubes," when they traveled abroad.

Even Griffin B. Bell, then attorney general, was shocked by Hugh Carter's tight fist, a former aide to Mr. Bell said.

In 1977 President Carter asked Mr. Bell to lead a U.S. delegation to Canada for high-level talks with the Ontario government. Back in Washington, he was told to bill each member of the official party for the cost of the Air Force jet used for the presidential mission.

Mr. Rogers said he agreed with some of the criticism of Hugh Carter. As an example, he said he thought Mr. Carter had overreacted in his assault on the White House motor pool.

High Carter disputed the implication that he had let the White House deteriorate.

"Shoot, we bought the finest of everything," he said. "We bought the highest level of maintenance offered and replaced carpet and furniture on a need basis — not just to satisfy someone's taste. As far as I'm concerned, we left the White House in better shape than we found it."

Mr. Rogers said he regretted not having taken "before and after" photographs.

ETC Director, Consultant — When he was at EPA, Mr. Costello said, "we constantly felt the lack of adequate information and frustration over getting the facts."

In disputes between industry and environmentalists, or in litigation, he said, "nobody ever trusted the other guy's facts." ETC will be able to provide test results that all parties to any dispute will accept, he said.

Mr. Andrus, who has returned to live in Idaho, where he was once

governor, will be a director and consultant of ETC, as well as a stockholder. Mr. Costello is chairman of the executive committee. The corporate secretary is Henry Beal, a lawyer who was director of standards and regulations for EPA. ETC's board chairman is Eckardt C. Beck, who headed EPA's water and waste management division.

ETC is owned by its officers and directors. They said the corporation's initial capital is in the "multi-million-dollar" bracket — as it had to be to buy the plant, install a computerized record-keeping system, purchase the testing equipment and hire the staff — but they declined to specify how much money has been invested.

Before leaving office last January, Mr. Costello warned that the Reagan administration would retreat from environmental controls and give in to the "rape, pillage and burn crowd." Now, trying to turn the same people into clients, he is more conciliatory.

"Over 90 percent of the sources of industrial waste are in compliance with the air and water regulations," he said. "A handful of industries had special problems, such as steel, a big dirty industry in obsolete plants. But the vast majority want to do the right thing." The "right thing," he said, is to comply with the testing requirements, and he knows just the place where industry can do that.

GRAPO Leader Killed by Spanish Police at Hideout

BARCELONA — Police have shot and killed the leader of GRAPO, an extremist group, in a gunfight after he refused a telephone appeal to surrender in his surrounded Barcelona hideout.

A police inspector fatally wounded Enrique Cerdan Calixto, 31, Saturday after he leaped from his apartment window to a nearby roof and exchanged pistol fire with police for nearly an hour, authorities said.

The gunman, hunted for 18 months after escaping from Zamora prison in northwest Spain where he was serving a 30-year sentence for killing two policemen, made his escape after a police inspector called him on the telephone at 5 a.m. and told him he was surrounded.

Police said they found a pistol, a submachine gun and \$7,500 in cash in Mr. Cerdan's apartment.

Mr. Cerdan was the top leader of the Maoist-line GRAPO (Oct. 1 Anti-Fascist Revolutionary Group) and the last "dangerous" GRAPO chief still at large, police said.

AIMÉ MAEGHT, French Art Dealer, Is Dead

The Maeghts' fame and fortune came after World War II when they moved to Paris and opened an art dealer's shop, launching it in 1945 with an exhibition of all the works painted by Matisse during the war.

The couple's friends included many artists whose works are on view in the foundation, including Matisse, Bonnard, Van Dongen, Léger and Chagall.

The Maeght firm, which also began publishing lithographs and art books, soon opened galleries in New York, Barcelona and Zurich. The Maeghts' home became a meeting place for painters and sculptors as well as poets and writers from Louis Aragon to André Malraux and Roger Caillois.

Wishing to give the public access to modern art, the Maeghts built their cultural center on a hilltop above this Riviera resort. The foundation houses a permanent collection of modern art and also organizes concerts, conferences, poetry recitals and other cultural events.

Aimé Maeght, French Art Dealer, Is Dead

SAINT-PAUL, France — Modern art dealer and publisher Aimé Maeght, 75, who built a world-renowned center for 20th-century art, died Sunday of cancer.

Mr. Maeght died in his villa adjoining the celebrated Maeght Foundation, which since its opening in 1964 on a hilltop above the Mediterranean has attracted millions of visitors to view the works of Miró, Braque, Kandinsky, Giacometti, Calder and many others.

The son of a railroad employee, Mr. Maeght studied at the Nimes Fine Arts School before opening a printer's shop in Cannes. With his wife, Marguerite, who was also passionately interested in modern art, he bought a small art gallery in Cannes in 1932.

Running parallel to the rails and recently overhauled, it can accommodate trucks that are to ferry refrigerated containers across the isthmus in six hours, half the time it takes by train. Both road and train traffic will end at vast new docking areas, where Mexico is also building container storage and repair sheds.

But for all its modern approach, the Mexican scheme is not likely to pose a serious business threat to the aged Panama Canal, shipping experts say. Mexico plans to move

70,000 containers in the last months of this year, while the Panama Canal handles that many in three days.

In the following years, however, the Mexicans hope to move 500,000 containers per year, roughly equivalent to the load of 500 large ships.

A Third Option — Fernando Buño Alvarez, who heads the government agency running the land bridge, said: "We're really offering a third option. To go from west to east, say, you go either across the U.S. by train, which is the fastest and the most expensive; you go through Panama, which is the cheapest but the slowest. Or you come to Mexico. It's a matter of price or time, whichever is most convenient."

The competitiveness of the Mexican route, shippers say, will depend largely on the speed with which the unloading, crossing and reloading can take place. Ship to ship, they calculate the whole operation will take three days. "If it works smoothly, it can save a big shipping company now going through Panama one ship per year," an American said.

While Panama charges tolls based on tonnage, Mexico's rates will be based on container size. "A 20-foot box will cost \$430 ship to ship, and a 40-foot one will cost \$620," Mr. Buño Alvarez said.

Mexican officials who have promoted their new route among the world's trading nations say they have found a great deal of interest, particularly in West Germany, Australia, Sweden and France. Japan, the second largest user of the Panama Canal, is already said to be reconsidering some of its routes.

But Mexico is clearly also out to cash in on the new facilities to relieve its own heavily clogged and antiquated port system. Backlogs of industrial supplies and foodstuffs have caused dramatic losses in the past few years of Mexico's oil-financed industrial boom.

Its shortage of transport facilities prevents it from diversifying its foreign markets. Coatzacoalcos, Mexico's principal oil port, is greatly overcrowded but is to get relief from the new installations at the container docks.

Mexico Denies Salvador Intervention

MEXICO CITY — Foreign Minister Jorge Castañeda has rejected accusations that Mexico interfered in the internal affairs of El Salvador by recognizing anti-government guerrillas and political movements there.

Mr. Castañeda, replying Friday to charges by 10 Latin American nations, said at a news conference that Mexico "favors rapprochement between representatives of the political forces fighting in El Salvador with an end to re-establishing harmony in the country."

Mexico and France issued a joint statement Aug. 28 declaring the leftist conditions to be legitimate political force to be recognized and dealt with in any move to end the bloodshed. It called for a "new internal order" to replace the junta and called for a restructuring of the army. The declaration was backed by Nicaragua and Cuba and received modified support from Brazil.

Last Wednesday, Venezuela, Guatemala, Argentina, Paraguay, Bolivia, Honduras, the Dominican Republic, Chile and Colombia accused Mexico of intervention in El Salvador. Peru condemned it in a separate statement.

FAA Plans to Hire Laid-Off Pilots as Controllers' Aides

WASHINGTON — The Federal Aviation Administration has announced plans to temporarily hire 1,500 laid-off pilots to fill support positions in air traffic control while full-time replacements for striking controllers are being trained.

Pilots' familiarity with air traffic procedures make them well-qualified to work in the facilities, an FAA statement said Friday. Their training will take about five weeks. It remained unclear how many pilots will apply for the jobs, which will pay only a fraction of their former salaries.

The pilots "will be [in] support jobs," said Fred Farrar, FAA spokesman. "They won't actually be controlling traffic." Their tasks will include delivering computer printouts to controllers, informing planes on the ground of flight clearances, and running training equipment, he said.

A spokesman for the striking Professional Air Traffic Controllers Organization expressed "disgust and amazement" at the FAA plan. Pat Doyle said the jobs, normally filled by controllers, are more complex than the FAA's description of them.

Soviet Satellite Launched

MOSCOW — The Soviet Union has launched No. 1,304 in its Cosmos series of space research satellites, the Tass news agency said. The satellite was launched Friday and was reported functioning normally.

Mexican Railroad Challenges Panama Canal

MEXICO CITY — An old forgotten railroad that rolls across Mexico's narrowest neck of land is about to turn into a busy path between the seas designed to lure traffic from the Panama Canal.

Within three months, when U.S.-built trains start hauling containers from coast to coast in less than a day, this land bridge will both be a very old, dream come true and a symbol of Mexico's hopes to change rapidly from an agricultural nation into a modern industrial one.

Besides servicing Mexico's own fast-growing petrochemical and other industries spinning off the oil boom, the new corridor aims to cash in on the container trade flow between the Far East and Europe as well as traffic between the U.S. West and East Coasts, much of which now passes through the canal.

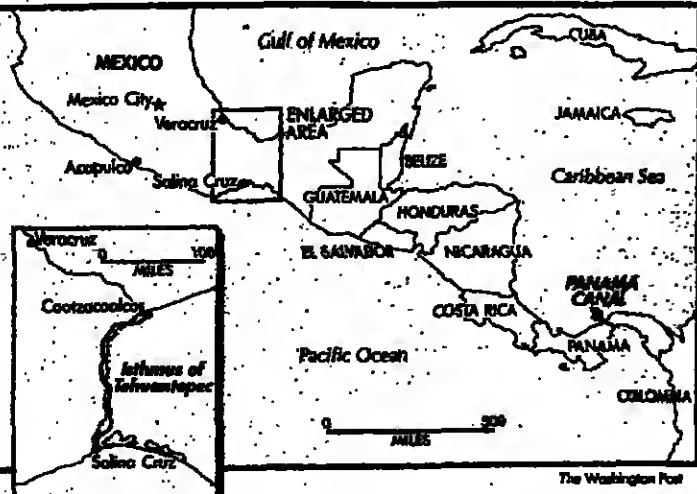
The Mexican government agency organizing the rail service says that ships, by not sailing as far south as Panama and avoiding the shifting tides there, can save up to five days by using the Mexican route. The sea distance between New York and San Francisco, for example, is reduced by more than 2,000 miles.

Avoiding the Lines — On both sides of the Isthmus of Tehuantepec, at the ports of Salina Cruz on the Pacific and Coatzacoalcos on the Gulf of Mexico, construction gear is still chipping away at new container terminals.

Giant cranes are already in place to pick containers off the ships, put them on trains and lift them back on board on the opposite coast. The old 175-mile, one-way railroad has new sleepers and 22 bypass tracks. The government says it has invested almost \$100 million and expects to recover it within five years.

Although the swampy, hot route across the isthmus is relatively flat, for centuries this narrowest point of the North American mainland has caught the imagination of dreamers, entrepreneurs and military planners wanting to connect the Atlantic and the Pacific.

Long before the Panama Canal



The Washington Post

construction began, the isthmus with its swollen rivers was seriously considered as the site for an interoceanic canal. One plan even involved pulling ships along a broad-gauge railroad across the land.

A British entrepreneur, Lord Cowdry, laid the railroad in 1907 and it proved to be a profitable enterprise. Yet the line's period of glory was short; seven years later the canal opened, and Mexico was in the middle of revolution.

During World War II, the U.S. military built airports on the isthmus and carved a highway across the Sierra Madre mountains. This road is coming in handy today.

Running parallel to the rails and recently overhauled, it can accommodate trucks that are to ferry refrigerated containers across the isthmus in six hours, half the time it takes by train. Both road and train traffic will end at vast new docking areas, where Mexico is also building container storage and repair sheds.

But for all its modern approach, the Mexican scheme is not likely to pose a serious business threat to the aged Panama Canal, shipping experts say. Mexico plans to move

70,000 containers in the last months of this year, while the Panama Canal handles that many in three days.

In the following years, however, the Mexicans hope to move 500,000 containers per year, roughly equivalent to the load of 500 large ships.

A Third Option — Fernando Buño Alvarez, who heads the government agency running the land bridge, said: "We're really offering a third option. To go from west to east, say, you go either across the U.S. by train, which is the fastest and the most expensive; you go through Panama, which is the cheapest but the slowest. Or you come to Mexico. It's a matter of price or time, whichever is most convenient."

The competitiveness of the Mexican route, shippers say, will depend largely on the speed with which the unloading, crossing and reloading can take place. Ship to ship, they calculate the whole operation will take three days. "If it works smoothly, it can save a big shipping company now going through Panama one ship per year," an American said.

While Panama charges tolls based on tonnage, Mexico's rates will be based on container size. "A 20-foot box will cost \$430 ship to ship, and a 40-foot one will cost \$620," Mr. Buño Alvarez said.

Mexican officials who have promoted their new route among the world's trading nations say they have found a great deal of interest, particularly in West Germany, Australia, Sweden and France. Japan, the second largest user of the Panama Canal, is already said to be reconsidering some of its routes.

But Mexico is clearly also out to cash in on the new facilities to relieve its own heavily clogged and antiquated port system. Backlogs of industrial supplies and foodstuffs have caused dramatic losses in the past few years of Mexico's oil-financed industrial boom.

Its shortage of transport facilities prevents it from diversifying its foreign markets. Coatzacoalcos, Mexico's principal oil port, is greatly overcrowded but is to get relief from the new installations at the container docks.

Mexico Denies Salvador Intervention

MEXICO CITY — Foreign Minister Jorge Castañeda has rejected accusations that Mexico interfered in the internal affairs of El Salvador by recognizing anti-government guerrillas and political movements there.

Mr. Castañeda, replying Friday to charges by 10 Latin American nations, said at a news conference that Mexico "favors rapprochement between representatives of the political forces fighting in El Salvador with an end to re-establishing harmony in the country."

Mexico and France issued a joint statement Aug. 28 declaring the leftist conditions to be legitimate political force to be recognized and dealt with in any move to end the bloodshed. It called for a "new internal order" to replace the junta and called for a restructuring of the army. The declaration was backed by Nicaragua and Cuba and received modified support from Brazil.

Last Wednesday, Venezuela, Guatemala, Argentina, Paraguay, Bolivia, Honduras, the Dominican Republic, Chile and Colombia accused Mexico of intervention in El Salvador. Peru condemned it in a separate statement.

Mr. Castañeda said Mexico was not intervening and had not supported either side with arms or economic aid. "All we are trying to do is to help end the suffering of the Salvadoran people," he said.

AIMÉ MAEGHT, French Art Dealer, Is Dead

The Maeghts' fame and fortune came after World War II when they moved to Paris and opened an art dealer's shop, launching it in 1945 with an exhibition of all the works painted by Matisse during the war.

The couple's friends included many artists whose works are on view in the foundation, including Matisse, Bonnard, Van Dongen, Léger and Chagall.

The Maeght firm, which also began publishing lithographs and art books, soon opened galleries in New York, Barcelona and Zurich. The Maeghts' home became a meeting place for painters and sculptors as well as poets and writers from Louis Aragon to André Malraux and Roger Caillois.

Wishing to give the public access to modern art, the Maeghts built their cultural center on a hilltop above this Riviera resort. The foundation houses a permanent collection of modern art and also organizes concerts, conferences, poetry recitals and other cultural events.

High Carter disputed the implication that he had let the White House deteriorate.

"Shoot, we bought the finest of everything," he said. "We bought the highest level of maintenance offered and replaced carpet and furniture on a need basis — not just to satisfy someone's taste. As far as I'm concerned, we left the White House in better shape than we found it."

Mr. Rogers said he regretted not having taken "before and after" photographs.

ETC Director, Consultant — When he was at EPA, Mr. Costello said, "we constantly felt the lack of adequate information and frustration over getting the facts."

In disputes between industry and environmentalists, or in litigation, he said, "nobody ever trusted the other guy's facts." ETC will be able to provide test results that all parties to any dispute will accept, he said.

Mr. Andrus, who has returned to live in Idaho, where he was once

governor, will be a director and consultant of ETC, as well as a stockholder. Mr. Costello is chairman of the executive committee. The corporate secretary is Henry Beal, a lawyer who was director of standards and regulations for EPA. ETC's board chairman is Eckardt C. Beck, who headed EPA's water and waste management division.

ETC is owned by its officers and directors. They said the corporation's initial capital is in the "multi-million-dollar" bracket — as it had to be to buy the plant, install a computerized record-keeping system, purchase the testing equipment and hire the staff — but they declined to specify how much money has been invested.

Before leaving office last January, Mr. Costello warned that the Reagan administration would retreat from environmental controls and give in to the "rape, pillage and burn crowd." Now, trying to turn the same people into clients, he is more conciliatory.

"Over 90 percent of the sources of industrial waste are in compliance with the air and water regulations," he said. "A handful of industries had special problems, such as steel, a big dirty industry in obsolete plants. But the vast majority want to do the right thing." The "right thing," he said, is to comply with the testing requirements, and he knows just the place where industry can do that.

GRAPO Leader Killed by Spanish Police at Hideout

BARCELONA — Police have shot and killed the leader of GRAPO, an extremist group, in a gunfight after he refused a telephone appeal to surrender in his surrounded Barcelona hideout.

A police inspector fatally wounded Enrique Cerdan Calixto, 31, Saturday after he leaped from his apartment window to a nearby roof and exchanged pistol fire with police for nearly an hour, authorities said.

The gunman, hunted for 18 months after escaping from Zamora prison in northwest Spain where he was serving a 30-year sentence for killing two policemen, made his escape after a police inspector called him on the telephone at 5 a.m. and told him he was surrounded.

Police said they found a pistol, a submachine gun and \$7,500 in cash in Mr. Cerdan's apartment.

Mr. Cerdan was the top leader of the Maoist-line GRAPO (Oct. 1 Anti-Fascist Revolutionary Group) and the last "dangerous" GRAPO chief still at large, police said.

AIMÉ MAEGHT, French Art Dealer, Is Dead

The Maeghts' fame and fortune came after World War II when they moved to Paris and opened an art dealer's shop, launching it in 1945 with an exhibition of all the works painted by Matisse during the war.

The couple's friends included many artists whose works are on view in the foundation, including Matisse, Bonnard, Van Dongen, Léger and Chagall.

The Maeght firm, which also began publishing lithographs and art books, soon opened galleries in New York, Barcelona and Zurich. The Maeghts' home became a meeting place for painters and sculptors as well as poets and writers from Louis Aragon to André Malraux and Roger Caillois.

Wishing to give the public access to modern art, the Maeghts built their cultural center on a hilltop above this Riviera resort. The foundation houses a permanent collection of modern art and also organizes concerts, conferences, poetry recitals and other cultural events.

High Carter disputed the implication that he had let the White House deteriorate.

"Shoot, we bought the finest of everything," he said. "We bought the highest level of maintenance offered and replaced carpet and furniture on a need basis — not just to satisfy someone's taste. As far as I'm concerned, we left the White House in better shape than we found it."

Mr. Rogers said he regretted not having taken "before and after" photographs.

ETC Director, Consultant — When he was at EPA, Mr. Costello said, "we constantly felt the lack of adequate information and frustration over getting the facts."

In disputes between industry and environmentalists, or in litigation, he said, "nobody ever trusted the other guy's facts." ETC will be able to provide test results that all parties to any dispute will accept, he said.

Mr. Andrus, who has returned to live in Idaho, where he was once

governor, will be a director and consultant of ETC, as well as a stockholder. Mr. Costello is chairman of the executive committee. The corporate secretary is Henry Beal, a lawyer who was director of standards and regulations for EPA. ETC's board chairman is Eckardt C. Beck, who headed EPA's water and waste management division.

ETC is owned by its officers and directors. They said the corporation's initial capital is in the "multi-million-dollar" bracket — as it had to be to buy the plant, install a computerized record-keeping system, purchase the testing equipment and hire the staff — but they declined to specify how much money has been invested.

Before leaving office last January, Mr. Costello warned that the Reagan administration would retreat from environmental controls and give in to the "rape, pillage and burn crowd." Now, trying to turn the same people into clients, he is more conciliatory.

"Over 90 percent of the sources of industrial waste are in compliance with the air and water regulations," he said. "A handful of industries had special problems, such as steel, a big dirty industry in obsolete plants. But the vast majority want to do the right thing." The "right thing," he said, is to comply with the testing requirements, and he knows just the place where industry can do that.

GRAPO Leader Killed by Spanish Police at Hideout

BARCELONA — Police have shot and killed the leader of GRAPO, an extremist group, in a gunfight after he refused a telephone appeal to surrender in his surrounded Barcelona hideout.

A police inspector fatally wounded Enrique Cerdan Calixto, 31, Saturday after he leaped from his apartment window to a nearby roof and exchanged pistol fire with police for nearly an hour, authorities said.

The gunman, hunted for 18 months after escaping from Zamora prison in northwest Spain where he was serving a 30-year sentence for killing two policemen, made his escape after a police inspector called him on the telephone at 5 a.m. and told him he was surrounded.

International Bond Prices - Week of September 3

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Table with columns: Amt, Security, % Mat, Price, Yield, Life, Curr. Lists various international bonds.

Table with columns: Amt, Security, % Mat, Price, Yield, Life, Curr. Lists various international bonds.

Table with columns: Amt, Security, % Mat, Price, Yield, Life, Curr. Lists various international bonds.

HIGHEST YIELDS to Average Life Below 5 Years

Table listing high-yield bonds with average life below 5 years.

HIGHEST YIELDS to Average Life Above 5 Years

Table listing high-yield bonds with average life above 5 years.

HIGHEST CURRENT YIELDS

Table listing bonds with the highest current yields.

Main table of international bond prices with columns for Amt, Security, % Mat, Price, Yield, Life, Curr. Includes sections for EUROPEAN INSTITUTIONS, SOUTH AMERICA, and DM STRAIGHT BONDS.

STRAIGHT BONDS All Currencies Except DM

Table listing straight bonds in various currencies except DM.

STRAIGHT BONDS All Currencies Except DM

Table listing straight bonds in various currencies except DM.

HIGHEST CURRENT YIELDS

Table listing bonds with the highest current yields.

All of these Securities have been offered outside the United States. This announcement appears as a matter of record only.

New Issue/August 1981

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT WASHINGTON, D.C.

U.S. \$210,000,000 16% Notes Due April 1, 1986 U.S. \$80,000,000 16% Notes Due May 6, 1988



Salomon Brothers International Deutsche Bank Aktiengesellschaft

Table listing various international banks and their locations.

WestLB advertisement for Eurobonds, DM Bonds, and Schuldscheine, including contact information for Dusseldorf, London, and Luxembourg.

Top Firms, High Yields Boost Bonds

By Carl Gewirtz
International Herald Tribune

PARIS — The chemistry of North American corporate names blended with coupons in the area of 17 percent has revived retail interest in Eurobonds.

Bankers talk of substantial demand for new issues coming from Switzerland, the portfolio haven of high net worth individuals. Until recently, the market was overwhelmingly dominated by institutional investors who, having been burned by a series of false rallies all year long, are now sitting on the sidelines.

EUROBONDS

Bankers said the retail component of current demand explains the anomaly in the interest rate structure between what borrowers pay to float new issues in this market and what they would have to pay in New York. Institutional investors are better informed of the options and are able to rely less on portfolio managers for advice.

For their part, European bankers have little incentive to direct their customers to the New York bond market because commissions to be earned there do not begin to match the 1 1/2 percent selling commission and the 3/4 percent underwriting and management fees that can be earned marketing new issues here.

Thus, for example, Hyrdo Quebec, whose paper is rated double-A, sold \$250 million of 10-year notes in New York at a slight discount of 99.88 with a 17 1/2 percent coupon to yield 17.4 percent on a semi-annual basis — equal to 18.18 percent when calculated on a Euro-market basis where coupons are normally paid only annually.

By contrast, Cities Services, whose U.S. debt is rated only single-A, was able to issue \$150 million of seven-year paper in the Euro-bond market at par bearing a coupon of 17 percent. When first announced, this issue was widely considered to be too large for the market to comfortably absorb. But by last week it was a sellout, trading briefly at a premium of just over 101 before settling back to 100 1/4.

Traders accounted for the premium price by accusing lead manager Credit Suisse First Boston of having oversold the issue, but CSFB laid the blame for paper to traders who had misread the retail demand and offered bonds at a discount and then had to fight to find paper to fulfill their obligations.

Hot on the heels of this success, Corn Products, whose U.S. parent CPC Corp. is rated double-A, launched \$50 million of seven-year notes at par bearing a coupon of 16 1/2 percent. It ended the week trading at a respectable discount of 99 1/4 percent. The notes are not callable until the fifth year, and then at a premium of 101.

Likewise, Niagara Mohawk, a New York state utility, was able to offer \$50 million of eight-year paper bearing a coupon of 17 percent. All of its U.S. debt has been secured by first mortgages and is then rated only single-A. Even so, it could not begin to touch money in New York at 17 percent today.

To overcome any qualms on quality, Credit Lyonnais of France, itself a triple-A-rated name, is guaranteeing payment of interest and principal (for an undisclosed fee). Pricing will be set Sept. 10. The call protection on this paper is rather good — not better than the sixth year, and then at a premium of 02.

That the retail demand is focused on quality North American corporate names and on coupons close to 17 percent was demonstrated by two other new offerings.

'Off the Wall'

The Canadian province of Newfoundland offered \$60 million of eight-year bonds, but it had to slash its coupon at 17 1/2 percent to a second high for this market. These bonds are non-callable until the fifth year, and then at a premium of 102.

Bankers report that retail investors deem their portfolios as over-tuffed with bonds issued by sovereign or supranational entities and clearly prefer corporate paper — not at any price.

GTE Finance NV, a unit of General Telephone & Electronics whose U.S. debt is rated BAA, is widely reported to be on the verge of launching a \$50-million, four-year issue bearing a coupon of 16 1/2 percent but priced at 99 1/4 to yield 6.43 percent. The notes would carry a warrant entitling holders to buy a like amount of seven-year notes bearing a coupon of 16 percent.

The terms, complained one banker, "are off the wall" and "the result of a very competitive bidding situation" where the lead manager, Blyth Eastman Paine Webber, was selected because it offered GTE the lowest conditions.

Investors have also drawn the line on the flood of corporate paper coming out of Japan in the way of bonds convertible into shares of common stock. Stock prices in Tokyo have been declining and foreign investors for the last two months have been net sellers of stock, reversing their long buildup of Japanese shares. Nevertheless, a flood of Japanese con-



A study in boardroom contrasts: E.F. Hutton's Robert M. Fomou, chairman (left), and George L. Ball, president.

By William G. Shepherd Jr.
New York Times Service

NEW YORK — Few chief executives project such predatory intensity as Robert M. Fomou, 56, chairman and chief executive of the E.F. Hutton Group, parent of the second largest U.S. retail brokerage house after Merrill Lynch. That intensity is in Mr. Fomou's narrow eyes and his prowling manner; his taste for ptarmigan shoots in Spain; his collections of hunting scenes, and large volumes with titles such as "Birds of Prey."

He has a rough-and-tumble reputation for pinning top people from his chief rivals ("The nicer you are to competitors, the more they take advantage of you," he says gruffly). He once kept a pet mink, a garrulous beast, among the furs in his cave-like office in lower Manhattan — until too many telephone callers became bewildered by all the cursing in the background.

Mr. Fomou is so much the hunter, in fact, that to mark his first decade as Hutton's boss, Hutton employees last year gave him an elegantly engraved pair of English Purley bird guns.

But they also gave him a second gift: a bullet-proof vest.

Bruised Ego

On takeover-obsessed Wall Street, a hunter can become the hunted overnight, and rumors are rampant that somebody may soon be gunning for E.F. Hutton as the next, likely merger candidate. Could it be Sears? Citibank? European interests? Mr. Fomou denies any deal is afoot. "My ego's kind of bruised," he says. "Nobody's even approached us."

Nevertheless, Transamerica Corp., the big West Coast conglomerate, recently set the Street buzzing when it was disclosed that it had chased 2.5 percent of Hutton's shares. Transamerica's core business is insurance, and it could obviously benefit by merchandising its policies through Hutton's 4,500-man sales force. On the

Minister Denies OPEC Plans Emergency Talks

BAHRAIN — United Arab Emirates Oil Minister Mana Said al-Oteiba Saturday denied reports that the Organization of Petroleum Exporting Countries would hold an emergency meeting before scheduled talks in Abu Dhabi Dec. 10.

Kuwaiti press reports on Friday said that OPEC might hold an emergency session later this month in a bid to remedy prices. Dr. Oteiba told the Emirates press agency that at the Abu Dhabi meeting the cartel would discuss oil prices and reaffirm the unity of OPEC.

'The Nicer You Are to Competitors The More They Take Advantage of You'

other hand, Transamerica has made passive investments in Hutton before. It owned as much as 4.9 percent of Hutton in the mid-1970s and later sold the shares at a profit.

Among laymen there is a common belief that Wall Street firms are under pressure to merge with bigger financial institutions to gain the capital necessary to survive in the 1980s. But within the Street itself, the view is quite different.

"Well-managed firms have never had trouble raising more capital," says Perin H. Long Jr., a securities analyst who follows publicly owned brokerage houses for Lipper Analytical Services. "There is a question whether firms are adequately employing the capital they have now. There's a lot of excess capital around the Street."

The merger wave transforming the financial community has claimed four important Wall Street names. Bache scurried into the arms of Prudential Insurance to avoid takeover by Canada's Bell family. The others, following two years of spectacular profits, snatched off timely moves to cash in.

Shearson Loeb Rhoades' stockholders eagerly tendered their shares to American Express (the firm is now called Shearson-American Express), Salomon Bros. sold out to Philip, and the Dillon family unloaded its controlling interest in Dillon, Read & Co. to San Francisco's Bechtel family.

Rather than citing pressure for additional capital, Mr. Fomou puts the trend down mostly to a simpler motive: "Greed," he says, "on the part of the sellers."

In a recent interview, Mr. Fomou and his second-in-command, president George L. Ball, stated flatly that they could generate all the growth they needed internally, and they laid out how they expected to do it.

Together they make an unusual team. Mr. Ball, 42, is a boyish-faced tournament platform tennis whiz who exudes enthusiasm. While Mr. Fomou chooses his words carefully, Mr. Ball brims with quick articulateness. He has been known to deliver five different speeches in a single week without using notes, as if the words were written on the backs of his eyeballs.

"As Winston Churchill said, 'I spent my life preparing impromptu remarks,'" Mr. Ball says with a laugh. Mr. Ball comes in early, Mr. Fomou works late. During the interview, Mr. Ball sat; Mr. Fomou propped.

Their growth strategy differs dramatically from Merrill Lynch's moves into banking functions and from Shearson's approach of growing mostly by acquiring other large brokers.

Instead, Hutton has been putting its excess capital, some \$130 million at last count, into companies that represent altivating investments in their own right but that can also provide products for Hutton's brokerage customers — what Mr. Ball calls "vertical integration."

Quadrupled Equity

Hutton's capital totaled \$448 million at the end of 1980, on which it generated \$1.1 billion in revenues, \$156 million in pretax profit, and \$82.6 million, or \$4.93 per share, in net earnings. Shareholders' equity has more than quadrupled during the past five years to \$259.2 million. Because of losses in bond positions, profits so far this year have not risen as much as Hutton had hoped. Nevertheless, Mr. Long of Lipper Analytical expects net earnings to reach about \$88 million by year end.

Overall, revenues have been compounding at a 35-percent rate the past year while profits have grown at a 34-percent compound rate (versus 23 percent and 21 percent respectively for the industry as a whole).

If Hutton could keep up the same growth, it would generate more than \$3 billion in revenues and about \$570 million in pretax profits by 1985. That expectation may be unrealistic, though. "Last year was a spike year for the indus-

try. We got two years of growth in one," said Mr. Ball. Mr. Fomou added: "It would be ridiculous to project the same growth. We may achieve it — but we're not projecting it."

A more likely figure is 20 percent per year compounded, Mr. Fomou and Mr. Ball agreed — a growth rate that would give them pretax profits of \$370 million by 1985 and that they feel confident they can achieve even if they do not make a single additional outside investment.

Hutton's Twist

The idea of generating new products for a brokerage distribution network goes back at least to the 1920s, but rarely has it been implemented successfully. Hutton's twist is to adapt the European merchant-banking practice of acquiring or investing in outside companies for the firm's own account.

How the strategy works may best be illustrated by two deals. In one, Hutton plunked down \$55 million to buy International Paper's leasing subsidiary, I.P. Credit, an entity that "generates \$45 million every year in tax benefits," Mr. Fomou explained, via investment tax credits and depreciation.

I.P. Credit was growing fast — about 23 percent a year — but International Paper could not take advantage of all the tax benefits because profits from lumbering are already taxed at capital gains rates. Since a sizable proportion of Hutton's brokerage clients are business executives, "we can grow it much faster," said Mr. Fomou. "Whether they're buying a corporate jet or three fork lifts, we can finance it for them."

Meanwhile, Hutton also took a 10-percent position in Gulfstream American, whose Gulfstream III has the deluxe corporate jet mar-

Boom in Credits Masks Problems
Strong Dollar Results in Bulging Euroloan Portfolios

By Carl Gewirtz
International Herald Tribune

PARIS — At first glance, business in the esoteric world of syndicated Eurocurrency credits is booming. But the boom is really less robust than it seems, particularly for the financially strapped developing countries, and constraints are developing to dampen the prospects for further growth.

In fact, analysis shows unmistakably that the syndicated loan market is losing its effervescence.

According to Morgan Guaranty Trust, whose statistics are the most complete and up to date measure of Eurocurrency activity, \$94.12 billion worth of new loans were arranged between January and August of this year — an almost unbelievable 111 percent gain over the same period a year earlier.

The bulk of this expansion is the result of the incredible \$42.22 billion worth of loans arranged in July for U.S. companies either seeking the means to enter the bidding war for Conoco or building a war chest to bid for another company or save off a bid for their own operation. A good many of these loans may never be drawn now that Du Pont has taken over Conoco and the overall merger fever has apparently abated.

Subtracting this inflated July borrowing by the Americans, the total of new credits resulting from so far this year falls to \$51.9 billion — still a substantial 16.4 percent gain over the total for the first eight months of 1980.

But even this figure does not give a true picture of market activity because 1980 was a year of contraction, with overall business down 6.5 percent from the record-high level of 1979. Measuring the adjusted volume of business for this year against the pace of business in the comparable 1979 period puts this year's total a modest 6.8 percent ahead.

This increase produces some revealing data:

• About 70 percent of the gain this year (always excluding the July bulge for U.S. companies) over 1979 is accounted for by increased lending to industrial countries.

• The level of lending to non-OPEC developing countries (which measured over the depressed 1980 level is galloping 60 percent ahead this year) is virtually stagnant at a mere 1.98 percent over the comparable 1979 level.

(Loans to Communist countries this year are running 78 percent below the 1979 level, loans to international organizations are down 44 percent and loans to OPEC members are off 23 percent.)

There are many reasons to explain the apparent topping out of loan commitments to the already very heavily indebted non-OPEC developing countries, which are relying increasingly on loans from the International Monetary Fund or other official sources as well as

running down their bank deposits and other official reserves.

The most often cited explanation for the slippage in the market is the decline in the number of lenders as profits have shrunk in line with the decrease in the level of margins put on loans — now rarely higher than one percentage point over the base London inter-bank offered rate.

A perhaps more important cause for pause is that the capacity of

non-dollar based banks to expand their role in the market has shriveled in direct proportion to the decline of their own domestic currency against the dollar. As the dollar increases in value, so does the value of the dollar loan portfolio of these banks expressed in relation to their total domestic capital.

As the dollar moved from 1.85 Deutsche marks last autumn to the current 2.45 DM, or from 4.2 French francs to 5.8 francs, or as sterling moved to \$1.84 from \$2.40, the dollar portfolio of banks in West Germany, France and Britain expressed in domestic currency terms increased 30 to 40 percent.

The increase in the dollar value of their portfolio resulting from foreign exchange translation more than ate up whatever increase management had targeted in volume terms for the year.

No Sign of Collapse

As long as the dollar's recovery was attributed to the very temporary tight-money, high interest rate policy practiced in the United States, the non-dollar based banks could consider the foreign exchange revaluation of their portfolio as temporary.

But the year is rapidly drawing to a close with no sign of an im-

minent collapse in short-term dollar interest rates. Although the dollar has declined from its summer highs (2.58 DM, 6.18 francs or \$1.77 against sterling) it could rebound if analysts are correct in predicting that short-term dollar interest rates will soar to record levels this winter.

And if the dollar stays where it is or goes higher, European bankers will have to report to their boards and their supervisory authorities loan-to-capital ratios that may be wildly out of line with accepted norms.

The cluster of Eurobanks in Luxembourg have been particularly hard hit as the Belgian-Luxembourg franc has been one of the weakest against the dollar. Many of the banks based there have been forced to increase their capital base to remain within the norms set by the Banking Commission.

To relieve the strain — capital is difficult to find, new issues of stock are not easily sold and parent banks facing the same predicament as their Luxembourg affiliates are not in a position to advance it — the authorities allowed banks to cover this increase by the issuance of subordinated debentures, which have the advantage of being temporary as they can be redeemed if the need for the increase disappears.

One Luxembourg banker acknowledged that the capital increase of his bank at the start of this year "has already been completely absorbed by the increase" in the value of the bank's dollar portfolio. "We may need a new increase in capital by the end of the year," he lamented.

A leading banker in Frankfurt asked: "Is the dollar revaluation contributing to a reduction in Euro-lending by German banks? The answer is yes."

But he stressed that "this is not the most important reason, by no means."

(Continued on Page 9, Col. 2)

Europe's leading management and charter company for business jets.

JET AVIATION PRIVATE JET SERVICES

8058 Zurich Airport Tel. 1-814 20 02 24 hrs. Telex 59 820 pjct ch

RAMADA Geneva
The hotel for executives

City center • Tel. (022) 31 62 41 • Telex 28 91 09
220 very spacious rooms

Moving more than money in global resource development.



IBJ. Your Resourceful Bank.

diagnose, advise, manage, and finance large-scale resource development projects. To put it all under one roof.

We've gathered this expertise through a long history as Japan's oldest and largest long-term credit bank. Today we are the lead bank for Japan's major industries, currently maintaining banking relationships with 90% of the country's top 200 corporations.

Common to all these large-scale projects are the extensive financial skills of the Industrial Bank of Japan. In fact, in these and a majority of overseas projects in which IBJ is involved, the Bank is either managing bank or financial advisor or both.

Why IBJ? Because IBJ is one of the few banks in the world with the size (\$65 billion in assets, knowledge, and global reputation necessary to coordinate, advise, manage, and finance large-scale resource development projects. To put it all under one roof.

Overseas, our commitment is equally professional as it is at home.

All of which makes IBJ the right people to see when you want a bank that does more than just move money in global resource development.

THE INDUSTRIAL BANK OF JAPAN
Head Office: 33 Marunouchi 1-chome Chiyoda-ku, Tokyo
Phone 214 1111 Telex 123235

London Frankfurt Paris Madrid Luxembourg Zurich Milan Singapore Hong Kong Jakarta Kuala Lumpur Seoul
New York Los Angeles Houston Toronto Mexico Sao Paulo

Gold Fixing at the Luxembourg Stock Exchange Daily at 10:30 a.m. local time

For your convenience, gold fixing "à la carte" in US\$ per ounce troy fine and in Francs per kilogram bar. Business is brisk and more than twenty members of the Luxembourg Stock Exchange now actively concur in making Luxembourg one of the leading no problem markets for gold buying and selling.

The five banks listed opposite co-operate to promote the development of the Luxembourg Gold Market. Their highly specialised staff are at your disposal for information and trading at the best terms. Call them now!

- Banque Internationale à Luxembourg Phone 479111 Telex 3409
- Banque Nationale de Paris (Luxembourg) Phone 47641 Telex 2228
- Caisse d'Epargne de l'Etat Phone 29851 Telex 2287
- Dresdner Bank International Phone 42816 Telex 2302/08
- Kredietbank S.A. Luxembourg Phone 47971 Telex 3418

A brochure on the Luxembourg Gold Fixing is available on request. Ask for it.

Top Firms, High Yields Boost Bonds

(Continued from Page 7)
vertibles has hit the market, bearing coupons that have no relation to arousing investor enthusiasm.
In the wake of the now widespread disenchantment with such issues, managers last week decided to postpone the scheduled \$100-million convertible for Toshiba.

Worst Performer

The worst performer in this group was the \$25 million, 15-year issue for Jaxco, one of Japan's largest general consumer credit companies, which was priced at par bearing a semi-annual coupon of 5 percent. The price to convert into common stock was set at 643 yen, a premium of 6.3 percent, and the exchange rate for the life of the bond was set at 232.50 yen per dollar.

The bonds ended the week at 97 1/2. Equally catastrophic was the price of 89 1/2 on Nippon, Chem-Con's 10-year issue marketed a week earlier bearing a coupon of 5 percent.

Fujitsu Fama, a manufacturer of controls systems, set a new low when it cut its coupon to 4 1/2 from the indicated 5 percent. The issue ended the week at 97 1/2.

Minolta Camera cut the size of its issue by \$10 million to \$40 million. Nevertheless, the bonds ended the week quoted around 95. The 15-year bonds, which carry a coupon of 5 percent, are convertible into common stock at a price of 909 yen, representing a premium of 4.12 percent. The conversion rate fixed for the life of the bond is 230.85 yen per dollar.

Only Sumitomo Metal Industries, among the issues still on offer, is said to be selling well. The \$30 million of 15-year bonds is expected with a coupon of 5 1/2 percent and is quoted on a when-issued basis of 98 1/2-99 1/2.

By contrast, demand is said to be scant for Sanyo Electric's \$100-million, 15-year issue, expected with a coupon of 5 percent, and Sitsa Paperboard's \$30-million, 15-year issue bearing an expected coupon of 5 1/2 percent.

Despite the obvious current disinterest with Japanese convertibles, more new issues were announced. Tsumura Jentendo, a manufacturer of herbal medicines, is offering \$30 million of 15-year bonds bearing an expected coupon of 5 1/2 percent and Fuji Electric is scheduled to launch a \$30-million, 15-year issue bearing a coupon of 5 percent this week.

In the sterling market, Nippon Electric offered \$40 million of 15-year convertible bonds with an indicated coupon in the range of 5 1/2-5 3/4 percent.

In the floating rate market, the planned \$30-million issue for Korea First Bank has been delayed to allow Korea Exchange Bank to have the honor of being the first South Korean bank to break into this market.

Eurobond Yields*

Week Ended Sept. 2 (U.S. Dollars)

International institutions	15.29%
Industrials, long term	15.07%
Industrials, medium term	16.45%
Canadian dollars, medium term	18.93%
French fr. medium term	18.30%
Unit of acc. long term	11.63%

Market Turnover

Week Ended Sept. 4 (Billions of U.S. Dollars)

Total	3,741.8
Dollar	3,051.7
Eurod.	5,197.1
403.5	

Will the Hunter Become The Hunted at E.F. Hutton?

(Continued from Page 7)
at pretty much to itself since Canadian recently scrubbed plans to produce its poach Challenger. Naturally, Gulfstream customers an average sale-leasback deals through Hutton's new credit company.

If Hutton has eschewed the bearish strategy of taking over other brokerage firms, it is partly due to Mr. Fomon's and Mr. Ball's most pathological abhorrence of corporate-style layers of management.

Hutton's management ranks are an almost like a traditional partnership. There is no organizational chart, and everybody has quick access to everyone else. To a great extent, Mr. Ball and Mr. Fomon are their role as creating a contagious "eat-or-be-eaten" spirit. Both lead the bulk of their off-hours socializing with Hutton employees — an extraordinarily cozy practice in a city such as New York.

"We do not aspire to be the largest," Mr. Fomon said. Rather, the quest is on profitability. According to Lipper Analytical's Mr. Ong, Hutton last year scored a 12-percent return on equity, second only to Shearson among publicly owned firms. (Shearson, of course, is no longer public.) Since then, Hutton's return on equity at slipped a bit due to losses in real estate trading. For the 12 months ended June its return was 32.9 percent, behind St. Louis-based A.G. Edwards & Sons and Advent Inc. Hartford, Conn.

Hutton's chief weakness is in

Bank of China: A Capitalist Road

By Richard Pascoe

PEKING — The Bank of China, Peking's foreign exchange bank, has quadrupled its net profits and quintupled its income over the past four years as China has gradually opened its doors to trade with the West and Japan.

Official balance sheets show the bank's total assets grew by nearly 150 percent to more than 76 billion yuan (\$43 billion) in 1980 from 30.5 billion yuan in 1977. Its capitalization, which stood at 400 million yuan between 1975 and 1979, more than doubled in 1980 to 1 billion yuan to give it a stronger base.

The bank quietly began its growth when the words "foreign debt" were anathema to those in power here. It now has a license to finance China's steadily expanding foreign trade in the most profitable way possible.

The bank is active in Euromarkets, deals secretly in gold and is authorized in principle to issue foreign currency bonds, though it has not yet publicly done so.

As China's only foreign exchange bank and being wholly state-owned, the bank is likely to survive whether or not it is efficient.

But its staff see their role as promoting development of trade and stimulating China's stagnant industrial base by using "economic levers." In other words by employing capitalist-style carrot and stick methods in place of Communist zeal.

Like the country's domestic banks, the Bank of China's new motto is in effect: Give companies an incentive and make them pay if they fail, and the goods will be delivered.

Although it is not the central bank, which is the internal People's Bank of China, the Bank of China is apparently the custodian of a significant portion of China's foreign exchange reserves.

Zhang Tun, a senior official in the PBOC's planning department, said China's foreign exchange reserves, which totaled \$2.36 billion at the end of March, include funds deposited by the Bank of China abroad.

Although Western economists view this as a somewhat unworthwhile definition of reserves, Mr. Zhang said he sees nothing unusual about this as the Bank of China is state-owned.

China has only recently started releasing figures for foreign exchange and gold reserves and Mr. Zhang said more economic indicators, including balance of payments figures, will gradually be published as the state statistical bureau expands its activities.

Zhang Guo-wen, deputy manager of the Bank of China's foreign exchange and funds department, said the speed of the bank's development is limited by domestic demand for foreign exchange.

Borrowing Cost

In the current period of economic retrenchment, during which capital construction has been severely cut, the bank was able to cut its foreign borrowing. But this was not reflected in 1980's balance sheet which showed income at nearly 1.9 billion yuan in 1980 from less than 370 million in 1977, and volume at 4.64 billion yuan from 125 million in 1977.

Despite the increased volume of business, the bank plans to expand operations abroad only gradually, the deputy manager said.

The bank already has full branches in London, Singapore and Luxembourg, a large network in Hong Kong and representative offices in Tokyo and Paris, the latter recently opened.

The bank plans to open a New York branch by the end of this year and intends to negotiate with Japan to upgrade its Tokyo office to branch status if agreement can be reached.

As the business will almost certainly want to set up full bank branches in Peking in return this could cause difficulties because China is not yet ready for this, the deputy manager said.

More than a dozen foreign banks have offices in Peking, but there are no branches here, although there are two in Shanghai left over from pre-revolution days, run by Hongkong and Shanghai Banking Corp. and the Chartered Bank.

"At present we have not yet decided on this,

We are considering it. I would say you can't rule it out," he said.

Problems include a lack of accommodation and banking law, which is being prepared but could take two years to be enacted. The law will have to define what business foreign banks will do if they are permitted branches. They would be useful for letters of credit and other matters currently handled by the Bank of China, he said.

"It's possible this will be allowed, but we cannot allow lots of banks to come in here and open up branches."

Inside China, the Bank of China has 77 branches, sub-branches and offices located mainly in the former treaty ports, provincial capitals and areas with overseas ties. A quarter are in Guangdong province, which borders on Hong Kong.

The deputy manager said remittances from overseas Chinese to relatives at home had mushroomed since the end of the Maoist period, during which Chinese with contacts abroad were often persecuted.

A recent World Bank report showed the remittances totaled more than \$650 million in 1979.

The Bank of China's Mr. Zhang said beneficiaries of remittances are not given foreign exchange but receive money at the market exchange rate together with coupons allowing them to spend that much in special shops stocked with goods otherwise in short supply.

Like the People's Bank with its vast network of local branches, the Bank of China now charges customers realistic interest rates to encourage them to improve efficiency.

Keeping the Exchange

Chinese enterprises involved in exports can keep part of the foreign exchange they earn for buying essential equipment, and the bank offers them interest rates 3 to 4 percentage points below international market rates.

They are permitted to have U.S. dollar, Hong Kong dollars or sterling deposits and are offered slightly different, confidential rates of interest depending on who they are.

To encourage exports, a special settlement rate gives exporters 2.5 yuan to the dollar instead of the official exchange rate, currently 1.77. Similarly firms wanting foreign exchange for certain purchases must buy dollars at the higher rate to discourage imports.

Mr. Zhang of the Bank of China said when short-term dollar deposit rates were around 17 percent, the bank offered its best domestic customers fixed-term rates of 13 or 14 percent. Current account interest rates and fixed-term yuan rates are low.

Foreign exchange loans to Chinese enterprises are generally charged at the bank's costs plus a handling fee of around 0.25 percentage points.

Domestic borrowers of foreign exchange need permission from the Foreign Exchange Control Commission and the state Economic Commission. Non-trading organizations such as hotels and government organs are permitted some foreign exchange for essential consumer goods at market exchange rates.

The bank considered issuing foreign currency bonds on overseas markets to raise capital, Mr. Zhang said. But it decided the formalities are too complicated at present to make it worthwhile, although other Chinese organizations have plans to issue them.

The Bank of China regularly buys and sells gold through billion dealers in London and Hong Kong, he added. He said the bank also "tries out" gold to foreign dealers who deposit its value in dollars with the bank while they trade with the bullion.

After a period they return the gold, claim the foreign exchange and pay a fee for using it.

"I give you this example to show how we are probing into areas of new business," he said.

Inside China, the sole legal purchaser of gold from citizens, gold mines and peasants who dig small quantities of it is the PBOC. It recently increased its fixed internal gold price to just over 400 yuan an ounce from 95 yuan, PBOC official Zhang Tun said.

Euroloan Boom More Apparent Than Real

(Continued from Page 7)

means. The most important reason is the substantial decline in profitability of Eurobusiness and the fact that our overall balance sheet ratios over the past several years have declined to a level where the addition of another \$1 billion of loans at 1/4 or 3/4 percent yield

makes absolutely no sense because we do not earn enough money to sufficiently increase capital, increase the reserves and pay a dividend on that \$1 billion to maintain our ratios or improve them."

For the record, but on an unattributable basis, British bankers said the dollar revaluation is causing no undue pain. Off the record, some admitted that it is causing increasing concern.

"French banks do not have capital ratio problems like those in Switzerland or West Germany," said the senior loan officer at one of the big three French state-owned banks. "If we are reserved in terms of making new commitments it's for other reasons — reaching self-imposed limits on loans to some countries or declining profitability."

Among the various national groups of lenders, only Arab banks are currently perceived as stepping up their loans overall and specifically to the non-OPEC developing countries. The September issue of the Amex Bank Review, for example, stated:

"Arab banks have stepped up their lending rapidly, and a considerably higher percentage" (20-30 percent) compared to less than 10 percent "of their syndicated credits are now going to those less developed countries which are neither OPEC, Islamic nor oil export-

ing. This latter group accounted for over 80 percent of Arab bank loans in 1977-78."

There was very little activity in the market last week. No major new operations were launched, and bankers expect that the pace will remain subdued until the end-month IMF-World Bank annual meeting in Washington. Borrowers and bankers usually use this financial jamboree to negotiate new operations.

COLLEGE DEGREE
For Life Experiences & World Education
Send detailed resume
to: PACIFIC WESTERN UNIVERSITY
19200 Ventura Blvd., Encinitas, CA 92024 U.S.A.
(Established 1954, Accredited by California State Board of Public Instruction)

Viking Resources International N.V.
N.A.V. as of 31-8-81
\$60.48 (Fl. 164.51)

INFORMATION:
Pierzen, Heiding & Pierzen N.V.,
Herengracht 214, Amsterdam.

THE multinational bank for international finance.
Banque Européenne de Crédit
Boulevard du Souverain 100
B-1170 Brussels
tel. 680.4900 tlx 23846

3-DAY SEMINAR
PROJECT MANAGEMENT
13-14-15 October 1981
PARIS

ISSEC (ESSEC Group) UCLA
Universities of California
Los Angeles
Tel.: (1) 233.21.33

For further information contact ISSEC
35, Blvd. de Sébastopol, 75001 PARIS - Telex 697789.F.

THE KYOWA BANK, LTD.
Total Assets: US\$32 billion

Head Office: 1-2, Otemachi-1-chome, Chiyoda-ku, Tokyo, Japan. Tel. 03-267-2111
Telex 24275
Overseas Offices: London, New York, Los Angeles, Singapore, Sao Paulo, Frankfurt, Amsterdam, Chicago, Seoul, Hong Kong, Sydney, Bahrain
Overseas Subsidiaries: Kyowa France (Hong Kong) Ltd., The Kyowa Bank of California, Kyowa Bank Nederland N.V.

Court Gives AT&T Approval To Enter Data Processing

Washington Post Service

WASHINGTON — A federal judge has given American Telephone & Telegraph permission to compete for the first time in the computer and data-processing business — a ruling that could have a major impact on the telecommunications industry.

Handing the communications giant a victory in its bid to enter lucrative new business areas, Judge Vincent P. Biumno of the U.S. District Court in New Jersey ruled Friday that AT&T could offer data-processing because it is a communications service.

Under a consent decree AT&T signed with the government 25 years ago, the company has been barred from offering any noncommunications services.

Judge Biumno said that computer and communications services are practically the same, given the advances made in electronic technology.

"It seems to the court beyond dispute that AT&T... will be engaging in the business of furnishing communications services and facilities" by providing data-processing services, Judge Biumno wrote. The ruling was handed down from the New Jersey court because that was where the original 1956 consent decree was filed.

The decision means that beginning as early as March 1, AT&T may be able to become a direct competitor of International Business Machines and other major computer companies.

What is more, the Bell System also may be able to offer a wide variety of telephone equipment and services, ranging from the black rotary-dial to highly sophisticated computer services, without any of the government pricing restraints it now must follow.

The judge's decision, however, by no means puts to rest the current congressional debate over AT&T's future structure and its role in the telecommunications industry. Congress is considering legislation to allow AT&T to offer data communications services, although it would bar the communications giant from offering electronic newspapers and up-to-the-minute advertising. Debate on the issue is expected to continue shortly after Congress returns from its August recess.

The ruling is not only a victory for AT&T — which had asked for

the judge's decision — but also for the Federal Communications Commission, which handed down a decision last year that in effect will allow AT&T to compete in the data-processing industry.

The Justice Department opposed the FCC ruling on the ground it violated the consent decree AT&T signed in 1956. The department did not say whether it would appeal the ruling.

Justice Department officials declined to comment on the ruling Friday and refused to say whether they will appeal the decision. Because the decision was handed down in Newark, few Justice Department lawyers had seen it.

Nor had officials at the 11 companies and trade associations that had filed legal briefs opposing any reinterpretation of the consent decree. Although the judge refused to allow these parties to participate in the current proceeding, officials at these organizations said they certainly will try to appeal the ruling.

Rolls Opens Eyes Of Prospects In High-Speed Test

Los Angeles Times Service

LOS ANGELES — Rolls-Royce recently tried a novel marketing approach in England with remarkable success.

The firm, according to information made available here, invited a group of prospective buyers from throughout England to an outing at the British Motor Industry Research Association's testing grounds.

First, Rolls-Royce had professional drivers take Silver Spirits, Silver Spurs and Bentley Mulsannes around a rugged test track replete with hazards and varying road surfaces. Guests were later invited to drive a Rolls-Royce around the 1 1/2-mile course themselves, then open up the throttle on a mile-long straightaway.

Next, they rode as passengers while the professional drivers motored around the facility's banked track at 120 mph.

Obviously impressed, the guests placed orders for a total of 12 cars worth more than \$1.2 million. Not bad for a one-day sales pitch.

Williams & Glyn's Bank Limited

Floating Rate Capital Notes 1984

In accordance with the provisions of the above Notes, Irving Trust Company, as Principal Paying Agent has been notified that the Rate of Interest applicable to the Interest Period August 28, 1981 through February 26, 1982 is nineteen and one half percent (19 1/2%) per annum. The Dollar Amount payable on Coupon No. 10 for each \$1,000 face amount Bond is Ninety Eight Dollars and Fifty Eight Cents (\$98.58) and the Interest Payment Date is February 26, 1982.

IRVING TRUST COMPANY
Principal Paying Agent

September 7, 1981

S.A. LA REDOUTE

Corporation organized under French law (Société anonyme) governed by the Articles 118 to 150 of the French Law of July 24, 1966 relating to Commercial Companies.
Capital: FF. 46,229,450.
Registered head office: 110 Rue de Valenciennes 59100 ROUBAIX (France)
RCS ROUBAIX B 475 682 522
Trade Register:

Pursuant to a judgment in the "Chambre du Conseil" on July 28, 1981 the First Chamber of the "Tribunal de Grande Instance" in Lille has ratified the decisions of the Extraordinary General Meeting of holders of French Francs 5,000 - 14 1/4% - 1980/1985 international notes issued by "LA REDOUTE A ROUBAIX" during its proceedings on June 30, 1981 which are as follows:

First Resolution

The extraordinary General Meeting of owners of FF. 5,000 - 14 1/4% - 1980/1985 international notes issued by "LA REDOUTE A ROUBAIX" after the reading of the Board of Directors Report concerning the conventions dated May 22, 1981 according to which "LA REDOUTE A ROUBAIX" transfers to its subsidiaries:

- S.A. REDOUTE CATALOGUE: the whole of the mail-order business, except the sale of articles from the range "Photo Ciné Son" the net value of which, after the taking over of part of the liabilities is: FF. 304,418,400.
- S.A. PHOTO CINE SON REDOUTE: the department of mail-order business for articles from the range "Photo Ciné Son" and also all the stores called "Photo Ciné Son" the net value of which after the taking over of part of the liabilities amounts to FF. 22,000,000.
- S.A. MAISON DE LA REDOUTE: the "Household Equipment" business under the trade name "MAISON DE LA REDOUTE" and also the stores called "MAISON DE LA REDOUTE", the net value of which after the taking of part of the liabilities is: FF. 16,509,465.

with knowledge of the said conventions and recording that:

- No modification is brought to the terms and conditions of the loan;
- In application of Article 387 of the law dated July 24, 1966 these transfers will be effected in conformity with the provisions of Articles 382 - 384 of the said law, approves them.

Second Resolution

The Extraordinary General Meeting approves the modification of the Company's object, the wording of which is now as follows: "The Company's object in France and in all countries is to buy, manage and sell all buildings and any kinds of bonds or shares of Companies or groups of any form or with any object, to manage available funds, and more generally all operations, both commercial and non-commercial, relating to its object."

In conformity with the provisions of Article 230 of the decree dated March 23, 1967, the said judgment is not liable to stay of execution. Appeal can be brought by the Company, by the bondholders' permanent representatives or by any bond holder within fifteen days after the last insertion in the papers giving legal notices or in the "Bulletin des Annonces Légales Obligatoires". For insertions.

Bruno LEMISTRE
Avocat au Barreau de Lille
(Rue de la Liberté 121)

BEAT INFLATION GUARANTEED

We offer term deposit accounts which produce maximum interest while at the same time giving flexibility of choice and absolute security for your money. Keep what you have earned and beat inflation with the following interest rates. GUARANTEED.

DOLLAR (Can.)	19%
PESETA (Spain)	19%
DOLLAR (U.S.)	18.50%
STERLING (£)	15.75%
FRANC (French)	17.50%
MARK (Deutsch)	12.75%
FRANC (Swiss)	7%

NO TAX

Strata Building Society
Lighthouse Development
Grosvenor Place
P.O. Box 263 - Gibraltar
Tel: 72546. Telex: 2297 STRAS GB

U.S. \$175,000,000 Medium Term Credit

Matthey Finance Limited

guaranteed by

Johnson Matthey Public Limited Company

arranged and managed by

S. G. Warburg & Co. Ltd.

Morgan Guaranty Trust Company of New York

Bank of New South Wales	Chemical Bank
Citibank N.A.	Continental Illinois National Bank and Trust Company of Chicago
International Westminster Bank Limited	Bank of America NT & SA
Bankers Trust Company	Barclays Merchant Bank Limited
London & Continental Bankers Ltd.	The Royal Bank of Canada
Dresdner Bank Aktiengesellschaft London Branch	Banque Nationale de Paris P.L.C.

Johnson Matthey Bankers Limited

participated in the credit

Agent Bank

Morgan Guaranty Trust Company of New York

This announcement appears as a matter of record only.

July 1981

NEW YORK (AP)—Weekly Over the Counter sales...

Table with columns: Sales in 100s, High, Low, Last, Net Chge. Lists various securities like ABC, ADF, AEG, etc.

Table with columns: Sales in 100s, High, Low, Last, Net Chge. Lists various securities like AIG, AII, AIO, etc.

Table with columns: Sales in 100s, High, Low, Last, Net Chge. Lists various securities like AIA, AIB, AIC, etc.

Table with columns: Sales in 100s, High, Low, Last, Net Chge. Lists various securities like AID, AIE, AIF, etc.



Advertisement for Bayerische Landesbank Girozentrale. Text: 'Bavarian drive and friendliness can help you conquer new markets.' Includes a list of services and contact information.

Table with columns: Sales in 100s, High, Low, Last, Net Chge. Lists various securities like AIG, AII, AIO, etc.

Treasury Bills table with columns: Date, Amount, Yield, etc.

Consolidated Trading Of NYSE Listings table with columns: Symbol, Price, Change, etc.

Consolidated Trading Of NYSE Listings table with columns: Symbol, Price, Change, etc.

Gold Options (prices in \$/oz) table with columns: Price, Bid, Ask, etc.

Advertisement for International Herald Tribune. Text: 'SAVE! S.Fr. 242, Fl. 296, F.F. 528'. Includes subscription rates and contact information.

Over-the-Counter

Table with columns: 100s High, Low, Last, Net Chg. Lists various stock prices and changes.

Table with columns: 100s High, Low, Last, Net Chg. Lists various stock prices and changes.

Table with columns: 100s High, Low, Last, Net Chg. Lists various stock prices and changes.

First Friday: A Plum in the Big Apple

By George Vecsey
NEW YORK — The United States Open might be the best sporting event of the year in New York. It is certainly the most constant.

By the first Friday, everybody has played at least one match, and the weakest players have been weeded out. Spectators scanning the day's agenda feel anxiety that it won't be possible to see all the good players scattered around the concrete center. But that doesn't mean a fan can't try.

At 10:30 a.m. Friday, Court 3 was already packed. The bleachers held only a few hundred spectators, and more than that number would be out of luck.

At noon, the options were seemingly endless: Mel Purcell against Shlomo Glickstein on Court 17. Steve Kruljevic against Dick Stockton on Court 7.

There were oudues of anticipation when Buchning trumpeted "Idiot!" at himself after a suddenly hitting a ball high to the upper walkway of the stadium.

It was time for a quick run into the stadium for a glimpse of Tracy Austin, finishing up with Betsy Nagelsen. Then, as Jimmy Connors pranced into the stadium for a match with Marco Ostoja, the fans continued their movable feast.

A quick stroll past a worried Virginia Ruzici of Romania, exclaiming sharply with every hit against Elise Burgin (Ruzici would win in three sets), a glimpse of Peter McNamara putting his racquet to applaud a set-saving shot by tall Peter Fleming (McNamara would win in four).

Then back to the stadium for what had figured to be a quick victory by Connors. Instead, they found Ostoja, a Yugoslav who is hardly known in this country, extending Connors for three grueling sets, 2 hours 23 minutes of Connors' having to go hard.

Congratulating themselves on seeing dozens of the best tennis players in the world, thousands of fans filed out of the stadium at 5 p.m., after six hours of tennis, only to learn that they had missed the only big upset of the day: a three-set loss by second-seeded Andrea Jaeger to Andrea Leand in the grandstand.

Other sick fans, of course, had jammed the runways and the benches and the portals of the grandstand to see Jaeger lose.

But that is the charm: the fans took on the first Friday of the best sporting event of the year in New York.

Astro Hurlers, Cedeno Subdue the Expos, 5-0

United Press International
MONTREAL — Houston starter Nolan Ryan and reliever Joe Sambito stifled the Expos on three hits while Cesar Cedeno collected four hits and drove in three runs in a 5-0 Astro victory here Friday night.

Ryan (8-3) had a no-hitter for 6 1/2 innings before Andre Dawson singled. Ryan gave up another single before departing at the end of seven; Sambito pitched the final two innings to earn his eighth save.

Cedeno drove in Jose Cruz with a two-out single in the third. He had an RBI single in the seventh and an RBI double in the ninth. Ryan helped his own cause by singling in Cedeno in the sixth.

Mets 4, Braves 1
In New York, pitcher Greg Harris ignited a two-run sixth with a double and posted his first victory since June 5 in leading the Mets to a 4-1 victory over Atlanta. Ellis Valentine homered for New York.

Phillies 7, Reds 6
In Philadelphia, pinch-hitter Dick Davis doubled home two seventh-inning runs to lead the Phillies past Cincinnati, 7-6.

Cardinals 7, Dodgers 2
In Los Angeles, Darrell Porter had three RBIs runs and John Marmola doubled in two and pitched a five-hitter in St. Louis' 7-2 victory over the Dodgers.

Padres 5, Pirates 4
In San Diego, Gene Richards' two-run triple capped a three-run seventh as the Padres downed Pittsburgh, 5-4.

Giants 3, Cubs 2
In San Francisco, Jack Clark's home run in the 10th gave the Giants a 3-2 triumph over Chicago.

Mariners 8, Red Sox 2
In the American League, in Boston, Julio Cruz went 3-for-5, including a three-run homer, and Richie Zisk added a bases-empty home run to power Seattle to a 5-2 victory over the Red Sox in a regularly scheduled game. In the completion of a game suspended after the 19th inning Thursday night, Joe Simpson tripled in Dave Henderson in the 20th to give the Mariners an 8-7 decision. Henderson singled off Bob Stanley with two out before Simpson tripled to right-center.

Angels 3, Indians 1
In Cleveland, Larry Harlow scored one run and singled home another, pacing California past the Indians, 3-1, in a rain-shortened 5 1/2-inning game.

Yankees 4, Royals 0
In Kansas City, Mo., Willie Randolph tripled, singled and doubled twice to back the combined three-hit pitching of Rudy May and Ron Davis as New York blanked the Royals, 4-0.

Rangers 3, Tigers 2
In Arlington, Texas, Bump Wills hit a two-run homer in the fifth and the Rangers held on to snap Detroit's five-game winning streak with a 3-2 victory. Doc Medich (8-

U.S. College Football Scores

Table of U.S. College Football Scores. Columns: Team 1, Score, Team 2, Score.

Friday, Saturday Baseball Line Scores

Table of Friday, Saturday Baseball Line Scores. Columns: Team 1, Score, Team 2, Score.

American Exchange Options

For the Week Ending September 4, 1981

Table of American Exchange Options. Columns: Option & price, Close, Call, Put.

Kredieten Indices

Table of Kredieten Indices. Columns: Index Name, Value.

The one and only Swiss Business Magazine for the many executive managers in Switzerland: the bilanz.

(You wouldn't want to miss your advertisements in the following issues of the only Swiss Business Magazine: the bilanz.)

bilanz advertisement with logo and contact information: 8027 Zurich, Alfred Escher Strasse 82, Switzerland. Phone: 0041 1 201 6770.

INTERNATIONAL INCOME FUND advertisement. Provides the following choice of investments: Short Term 'A' Units, Short Term 'B' Units, Long Term Units.

ESORTS & GUIDES CLASSIFIED ADVERTISEMENTS. (Continued from Back Page). Includes listings for Regency - USA, New York City, Amsterdam, London, Geneva - Jade, E.E.C. - Capitals, and various other services.

